EUROPE'S BUSINESS NEWSPAPER

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FOREIGN AFFAIRS

Germany's future and a continent's

Page 16

World News

Civic Forum seeks to forge Czech coalition

Civic Forum, the Czechoslovak opposition movement, said last night that it would transform itself into a political party and offer coalition talks with all non-communist parties in order to form a government.

In the capital, Prague, more than 250,000 demonstrators filled the central Wenceslas Square in an angry protest against the Communist Party's domination of the country's proposed new government. Page 18

Manila rebel pledge

Hundreds of tourists and businessmen trapped in luxury hotels in the Philippine capital Manila by fierce fighting between rebel troops and loyalists will be released today, the mutineers said. Page 18

French NF gains

France's right-wing National Front party won an overwhelming victory in one by-election and a close-run defeat in another. Page 18

Gdansk jail riot

Prison guards used tear gas, batons and warning gunshots to beat back about 100 prisoners throwing stones and bricks while trying to escape jail in the northern Polish city of Gdansk.

Yugoslav Party split

Yugoslavia's fractured federal Communist Party was taking a step towards a formal split as an embargo imposed by the Republic of Serbia on trade with Slovenia went into effect. Page 3

US Trident launched

The US Navy successfully launched a Trident II missile from a submarine off the Florida coast after a Navy ship rammed a Greenpeace boat that had tried to halt the test.

Brazil inflation fears

Brazil's monthly inflation rate reached 41.4 per cent deepening fears that the inauguration of a new president due in March may have to be brought forward. Page 6

Basque MPs ejected

Three ultra-nationalist Basque MPs were ejected and only 338 of the 350 seats in the Spanish parliament were occupied because of court rulings that nullified the election result in two provinces. Page 3

Fresh Mexico pact

Mexico's economic pact for stability and growth was extended to next July 31 under a renewal of the accord between the Government, business and the labour movement. Page 6

Taiwan setback

Taiwanese government plans for political reforms based on the voluntary retirement of elderly Kuomintang legislators may face a temporary setback because of the poll victories won by the country's main opposition. Page 4

Black market move

Iran stepped up efforts to rein in the black market in foreign currency, announcing reforms to undercut unofficial dealers after a fall in the value of the rial. Page 4

Triple transplant

A 26-year-old woman received a heart, a liver and a kidney during a 21-hour operation at Pittsburgh's Presbyterian University Hospital, in the US, in what was believed to be the first triple transplant of its kind.

Voice of Warsaw

Voice of America (VOA), US government-financed radio station which the former Polish communist authorities dubbed subversive and jammed for years, opened an office in Warsaw.

Business Summary

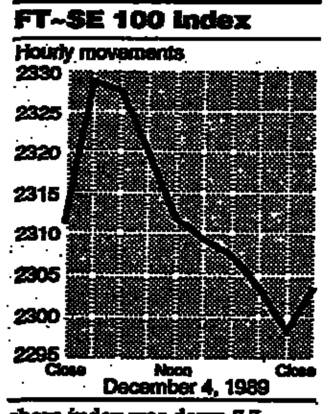
Danish banks to link up in second big merger

The most far-reaching transformation of the Danish banking scene for a generation was taken a step further by the second major merger to be announced within a month.

This time Privatbanken, SDS and Andelsbanken, with combined assets of about DKr300bn ($43.4bn) and equity of DKr19bn, are getting together. The new bank will be known as UNI BankDanmark (UBD). Page 19

FT-SE 100: A batch of profit warnings introduced a touch of reality into the UK stock market but share prices closed with only modest losses after the substantial advance of the past nine sessions. FT-SE 100-share index was down 7.7 points at 2,303.4. It hit its best level of 2,329.0, or up 17.9, at the open. London Stock Exchange, Page 35

FT-SE 100 Index



POWER: The battle between equipment makers to build the UK's next generation of power stations intensified when Asea Brown Boveri and Northern Engineering Industries announced the formation of a joint venture to market equipment for small stations. Page 19

SMITHKLINE Beecham, Anglo-American pharmaceuticals and consumer-products company, dropped its plans to sell its cosmetics division in a single unit. Page 19

MR DANNY WALL, top Federal regulator of the US Savings and Loan Industry, bowed to criticism and submitted his resignation as director of the Office for Thrift Supervision.

WEST Germany's biggest public share offering for three years will take place with the DM775m ($435m) issue of stock in GEA, Ruhr-based engineering company. Page 19

GATT: The Soviet Union could be granted observer status in Gatt at the next council meeting in February - if Moscow acts fast enough. Page 6

BERND Otto, former chief executive of Co op, troubled West German retailing group, was arrested at Frankfurt airport as he returned from South Africa. Page 20

SONY, Japanese consumer electronics maker, postponed plans to build an audio equipment production plant in the Philippines following the coup attempt. Page 4

PIRELLI Group joined the list of Italian companies which agreed joint venture deals with the Soviet Union when it signed a letter of intent to set up a radial tyre production plant in Tataria. Page 6

DU PONT, US chemical giant, is to increase significantly its European production base following a decision to invest $1.2bn in a manufacturing complex close to the Ensidesa steel works in Asturias, northern Spain. Page 22

CARLO De Benedetti and his allies are to seek full control of Mondadori, Italy's largest publishing group, in the face of potentially the most serious challenge ever to his position as Italy's leading financier. Page 20

Nato agrees its approach to German reunification

By Peter Riddell and David Buchan in Brussels

NATO leaders yesterday agreed to adopt a gradual approach to German reunification – the first time that the alliance has come to a common view about how the future of the two Germanys should develop since the collapse of the Communist Party's authority in East Germany three weeks ago.

The accord – in the wake of assurances from Chancellor Helmut Kohl of West Germany that there was no set timetable to his proposals for closer links between the two Germanys – came during a meeting to hear a report from US President George Bush on his weekend summit with President Mikhail Gorbachev of the Soviet Union.

At the same time, the Soviet leadership indicated for the first time that it was willing at least to discuss the issue of German reunification with Mr Hans-Dietrich Genscher, the West German Foreign Minister, who is visiting Moscow today. Tass, the official Soviet newsagency said: "Regardless of the entire acuteness of the problem, the Soviet Union is prepared to discuss it in the spirit of new thinking."

In Brussels, Mr Bush presented a detailed statement about the future not only of Germany, but also of Europe and the Nato alliance as a whole. The President's support for European integration was his strongest and most specific statement on the subject so far.

President Bush said: "German unification should occur in the context of Germany's continued commitment to Nato and to an increasingly integrated European community."

Chancellor Kohl thanked Mr Bush for his approach and warned against "calendar thinking" on German unification. This assurance was welcomed by Mrs Thatcher, Britain's Prime Minister, who has expressed concern about early changes in Europe's borders, talking yesterday about waiting a possible 10-15 years to see how democracy was established.

A cautionary note was sounded by President François Mitterrand of France who said a vote by both Germanys to unite was "a necessary, but not a sufficient, condition" for such unity.

Mr Bush followed up the general welcome from other leaders for his warmer approach to Mr Gorbachev by outlining a wide-ranging plan for the future of Europe.

Taking some leaders by surprise, Mr Bush called for even closer European integration and for a revival of the 35-nation Conference of Security and Co-operation in Europe (CSCE) "to bridge both the division of Europe and the Atlantic Ocean."

Mrs Thatcher said Mr Bush's plan had "a lot of meat in it" and she and other leaders did not want to respond immediately because it would "have to be considered very carefully." Mrs Thatcher singled out his reference to European integration and expressed her opposition to monetary union and the

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Kohl and Genscher set apart, Page 2; Arms control doubts, Page 6; Gatt proposal, Page 8; Germany's future, and a continent's, Page 16

President George Bush and British Prime Minister Margaret Thatcher talk with delegates at yesterday's special Nato meeting

Britain admits to withholding details on Rover

By Kevin Done, Motor Industry Correspondent, and Lucy Kellaway in Brussels

BRITAIN last night admitted that it had hidden from the European Commission key financial terms of last year's takeover of Rover Group by British Aerospace.

Sir Peter Gregson, permanent secretary at the Department of Trade and Industry, said that the Government had feared that disclosure of the hidden financial concessions, amounting to around £38m ($60m) would damage its relations with the European Commission.

In the face of intense questioning by the Public Accounts select committee Sir Peter said that the Government had been "anxious" not to risk reopening the European Commission's examination of the state aid granted to Rover because it might have placed the sell-off in jeopardy.

He insisted that the secret financial concessions had been accounted for in various reports to Parliament. But the Government was accused by Dr John Reid, from the Labour opposition, of deliberately "scattering" the information in different reports in order to suppress the information from Members of Parliament, members of the public and the European Commission.

Mr Dale Campbell-Savours (Labour) accused Lord Young, Secretary of State for Trade and Industry at the time, of being "less than frank" in his statements to the House of Lords. He suggested that Lord Young had "conned" Mr Peter Sutherland, the EC Competition Commissioner at the time of the sale.

The Commission is considering whether to reopen the inquiry into the purchase price paid for Rover by BAe. It wants to reach a decision by the end of the year about whether to ask BAe to repay part or all of the £547m ($863.7m) subsidy agreed with Britain.

The Commission has written to London asking for full details of the National Audit Office investigation into the takeover of Rover and has demanded an explanation of why it was not informed at the time about £38m of "sweeteners" disclosed by the NAO.

The issue is becoming increasingly embarrassing to Mrs Margaret Thatcher, the British Prime Minister, and is being viewed with a certain amount of ironic amusement within the Commission.

Mrs Thatcher has frequently boasted that the British record on state aids is far superior to that of Italy, France or Greece, and has even made the adoption of a fair state aids policy a condition of British support for European monetary union.

Should the Commission decide – as seems likely – to order the repayment of the money, it could cause a clash between the Government and British Aerospace as it would mean over-ruling the agreement struck between the two parties.

In view of the tough line taken with Renault, the French owned car company, last

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Japanese tiptoe into East Europe

By Stefan Wagstyl in Tokyo

JAPANESE businessmen are bewildered by the turmoil in Eastern Europe. All the old certainties of doing business with Communists have gone out of the window – in their place is a confusing mixture of half-baked promises, plans and requests for trade and investment.

An Eastern European diplomat in Tokyo put his like this: "Before, when a Japanese businessman arrived he met the minister and discussed everything with him. Now we tell businessmen the minister is no longer responsible for investment decisions. Factory managers are. The Japanese don't like that. They don't know what to do."

Some Japanese executives talk excitedly of turning Eastern Europe into a low-cost production base for exports to Western Europe, which in turn would pay for the growth of a new large market for consumer goods among the region's people.

But for every Japanese ready to talk about the opportunities, many others focus on the difficulties – unrest, poor managers, badly trained workers, inadequate communications, and, in the case of Poland, unpaid debts.

They say it will be some time before Eastern Europe is settled enough for large-scale private investment.

Mr Toshihiko Morita, a managing director of Sumitomo Corporation, the trading company, says: "In most cases political reform outstrips economic reform. It will take two or three years before we can be sure about making big investments in those countries. Small-sized investments could come earlier."

Mr Iwao Ohashi, an economist who specialises in Eastern Europe, says : "I am gloomy. Japanese are likely to take a wait-and-see attitude."

The Government wants to encourage Japanese companies to do business with the region. Poland and Hungary are on the itinerary of a visit Mr Toshiki Kaifu, the Prime Minister, is planning to make to Europe in the new year.

Economic missions will follow in the spring. A special team is being established at the Ministry of International Trade and Industry in order to encourage trade and investment in Eastern Europe.

Tokyo's main aim is to prove to the West that there is more to Japanese foreign policy than economic self-interest. Japan wants to be accepted as a political as well as an economic world power and a fully fledged member of

Continued on Page 18

EC opens way for reform of road transport market

By Tim Dickson in Brussels

THE prospect of a fully liberalised European Community road transport market was opened up in Brussels last night when ministers agreed to introduce a bold experimental scheme.

The deal on "cabotage" - which will enable hauliers based in one member-state to carry goods within the borders of another – came after the previously hesitant Mr Michel Delebarre, French Transport Minister and chairman at yesterday's meeting, supported the reform. The measures will take effect from July 1 next year and provide member states with 15,000 special permits for limited periods.

Distributed to individual companies by national authorities, the permits will enable hauliers to do business across the Community.

The number of permits will increase by 10 per cent each year, though, in an important concession to the cautious, there is a "safeguard clause" which can be invoked if more than 30 per cent of the available licences are used in one country.

The question of what happens after the experimental period – which runs until the end of 1992 – was left deliberately ambiguous.

East German protesters besiege security police office in Leipzig

By David Goodhart in East Berlin

THOUSANDS of angry protesters were last night laying siege to the offices of the security police in the East German city of Leipzig amid growing outrage over abuses of power under the discredited Communist leadership.

Both the interim committee that is running the Communist Party following the leadership's collapse at the weekend, and the main opposition group New Forum begged for calm as fresh allegations surfaced about the extent of corruption.

Reuters newsagency reported from Leipzig that members of opposition movements – from New Forum, Democratic Awakening and various church groups – linked arms to prevent the crowd reaching the sealed doors of the grey, five-storey regional Office for National Security. The agency said there was no violence but the crowd waved their fists and chanted slogans.

The rally in Leipzig, where big demonstrations have taken place every Monday since the reform movement began sweeping East Germany three months ago, featured more banners than ever before calling for German unity.

Some of the leaders of New Forum, a movement hitherto opposed to reunification, called yesterday for a referendum on the issue. This appeared to mark an acknowledgment by the reform group of the increasing strength of these demands.

New Forum and several other opposition groups meet on Thursday for the first "round table" discussions with the official parties on East Germany's future.

The Communist Party will be represented by Hans Modrow, the reformist Prime Minister, and two other leading reformers. Mr Modrow acknowledged in an interview with Der Spiegel magazine yesterday that the Communists might get only 20 per cent support in free elections.

One appeal for calm came from Mrs Brigitte Zimmermann, spokeswoman of the committee preparing for a special conference of the Communist Party later this month. She said angry citizens had recently tried to storm the offices of the secret police in the city of Erfurt.

Warning against "anarchy and chaos," she said: "The committee members have been troubled to learn of people taking the law into their own hands and trying to forcefully enter public buildings."

Meanwhile, the Berliner Zeitung newspaper, which has led the way in uncovering corruption among former party leaders, said yesterday that the disclosures so far were merely the tip of the iceberg.

Some reports said Mr Alexander Schalck-Golodkowski, the discredited foreign trade chief alleged to have siphoned off hundreds of millions of marks, had told Mr Wolfgang Vogel, his lawyer, that he was "simply carrying out orders of the Politburo."

MARKETS

STERLING
New York lunchtime:
$1.5625
London:
$1.5835
DM2.785
FFr9.51
SFr2.5025
Y224.5
£ Index 86 (86.1)

GOLD
New York: Comex Feb
$408.8 (419.3)
London:
$405.75 (413.75)

N SEA OIL (Argus)
Brent 15-day Jan
$18.225 (18.70)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime:
DM1.7825
FFr6.0885
SFr1.60025
Y143.575
London:
DM1.7805 (1.782)
FFr6.08 (6.085)
SFr1.5995 (1.5925)
Y143.55 (143)
$ index 68.9 (same)
Tokyo close: Y143.48

US LUNCHTIME RATES
Fed Funds 8½%
3-mo Treasury Bills:
yield: 7.787%
Long Bond:
102⅞
yield: 7.888%

STOCK INDICES
FT-SE 100:
2,303.4 (−7.7)
FT Ordinary:
1,823 (−10.6)
FT-A All-Share:
1,150.51 (−0.2%)
New York lunchtime:
DJ Ind. Av.
2,755.55 (+7.9)
S&P Comp
351.31 (+0.68)
Tokyo: Nikkei
37,303.87 (+171.19)

LONDON MONEY
3-month interbank:
closing 15⅛% (same)
Liffe long gilt future:
Mar 90⅔ (90⅔)

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Danish premier proves sureness of touch on Finance Bill

Poul Schlüter, the Danish Prime Minister, has proved that seven years at the helm have not blunted his political touch. He has achieved a compromise on the 1990 Finance Bill, thus avoiding an early general election. Page 2

EUROPEAN NEWS

Danish premier joins parties in finance bill pact

By Hilary Barnes in Copenhagen

MR Poul Schlüter, Denmark's Prime Minister, has demonstrated that seven years at the helm have not blunted his political touch.

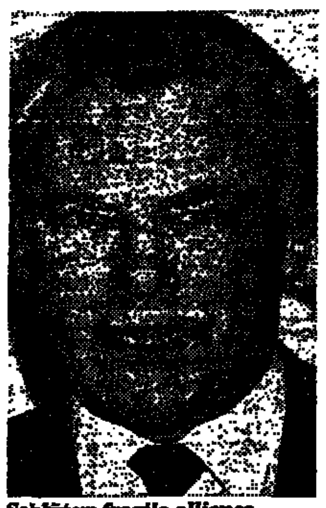
He has brought off a compromise on the 1990 finance bill between all six of the non-socialist parties, including the right-wing populist Progress Party which has voted against every finance bill since it entered the Folketing (parliament) in 1973. He out-manoeuvred the Social Democratic opposition in the process, who had hoped to defeat the finance bill with the help of Progress Party votes and to force an early general election.

The Progress Party, started by Copenhagen lawyer Mogens Glistrup in 1972 when he demanded the abolition of income tax, has become responsible and the Social Democrats are now the country's true protest party, say commentators in the pro-government newspapers.

The creation of a conservative-liberal bloc could transform the political scene, as well as the life expectancy of Mr Schlüter's three-party minority coalition – including the Conservatives and the Liberal and Radical parties – which came into office following an election in May of last year. "A significant change in the front-lines," was how Mr Schlüter put it.

But the new alliance may prove fragile. "The coalition parties don't agree when it comes to their relationship with us," warned Mrs Pia Kjaersgaard, the Progress Party leader. The Radicals are especially uneasy about keeping company with the Progress Party, which apart from its populist appeals for tax and public spending cuts also has a policy towards refugees which carries racist undertones.

The economics of the compromise may turn out to be less satisfactory than the politics. The deal weakens fiscal policy and many economists think that the opportunity to swing the country into surplus on the current external account for the first time in 28 years – as predicted by the



Schlüter: fragile alliance

Economic Advisory Council last week – was blown by the Government. The compromise increases the cuts in budget spending (as compared with a no-change budget) from the Government's original Kr8bn (£1.17bn) to Kr11bn but it also puts more money in consumers' pockets.

The most controversial item in the deal is the abolition, with retroactive effect from 1988, of a tax penalty on borrowing for purposes other than mortgages and student loans. The tax was 20 per cent on the difference between interest outgoings and interest income as these featured on income tax returns.

Introduced in 1986, the tax contributed to an abrupt slowdown in consumer spending.

Although high interest rates and low inflation should prevent a boom in debt-financed consumer spending, as Mr Henning Dyremose, the finance minister, said hopefully, others fear that the psychological effect of removing the tax could nevertheless set off a significant rise in spending.

Other major items in the finance bill are a reduction in the corporate income tax rate from 50 to 40 per cent and reductions in several excise taxes on goods affected by border trade with Germany.

German unification moves up the agenda

By David Marsh in Bonn

A DOUR joke relayed over East German radio last week spoke of Mr Leonid Brezhnev, the former Soviet leader, enthusiastically inviting his aged mother to inspect his fine official residence, Western limousines and country home. After the showing, *his mother remained unimpressed*. When Mr Brezhnev asked her why, she exclaimed sadly: "Oh, my son: When the revolution comes, they will take them all away from you."

The witticism, aptly reflecting the new-found liveliness of East German broadcasting, illustrates the daily media focus on the corruption of the Honecker regime.

Massive popular indignation about allegations of wrong-doings, together with the continuing tide of emigres leaving for the West, swept away at the weekend the complete leadership of the Socialist Unity Party (SED). The East German revolution has left a power vacuum in East Berlin which many observers in both East and West believe will soon become filled by growing pressure for German unification.

DEITMAR KELLER, the new East German Culture Minister, yesterday apologised for his country's former culture policy. This is less surprising than it sounds as almost all East German political leaders are now either apologising for the past or – literally – on the run from it, writes David Goodhart in Berlin. However, Dr Keller did also announce that censorship was now abolished, although not of course discretion over who gets government hand-outs and who doesn't; culture policy would forthwith be depoliticised, and the state would withdraw, as far as practical, from art.

He heaped praise upon the artists who have played such a prominent role in the opposition movement and pointed out that literature had a special cultural role when the official information media were not telling the truth. He even compared the current interplay of arts and politics with the 1920s in the Soviet Union "before the Stalinist degradation".

Dr Keller had also daringly called for the country's national anthem, written in 1948, to be sung in full. In recent years party leaders have had to hum the first verse because of its reference to a united Germany.

Mindful of the void opening up, Mr Helmut Kohl, the West German Chancellor, did his best last week to plug a perceived gap in the Federal Republic's policies on unity.

Significantly, his 10-point plan aimed at paving the way for an all-German federation, setting up as a stepping stone "confederative structures" between the two Germanys, has won a degree of support from some East German opposition forces. The New Forum reformist group called yesterday for a referendum on Mr Kohl's proposals to explore the possibilities for steps "in the interest of people living here."

New Forum said that a unitary German state could no longer be seen as as "an unthinkable Utopia", but underlined that it could only become feasible if East and West Germany abandoned their "military commitments" to the Warsaw Pact and Nato respectively. Its statement throws attention on to the key question deliberately sidestepped in Mr Kohl's speech: Could reunification come about within the present framework of the two military alliances?

Mr Kohl relegated the military security question to number 9 in his 10 points. This stated the rather vague formulation that "overcoming the separation of Europe and of Germany requires speedy and far-reaching steps in disarmament and arms control."

The Chancellor's suggestions, announced to the Bundestag last Tuesday, have ruffled feathers both within the centre-right coalition and the three Western allies. This is because of the lack of consultation about the proposals, and because of their military implications.

The Bonn ambassadors of the US, Britain and France are extremely annoyed that they were informed of the proposals by Mr Horst Teltschik, the Chancellor's security adviser, only after the speech had been given – and several hours after Mr Teltschik briefed the press.

The implications of proposals on German unity for Nato and the Warsaw Pact have yet to be realised, let alone studied in detail, by Western governments. But opinion is growing in Bonn that troops of Nato and the Soviet Union stationed in West and East Germany would have to be scaled down, perhaps to one third of present levels (or maybe more) to allow any chance of realisation of a German federation.

According to one estimate, a total of 100,000 troops from the US and Soviet Union could remain in the two Germanys as part of a gradual plan for a greatly demilitarised united Germany. Later, perhaps, depending very much on the policies of the Kremlin, they could be removed altogether. This compares with the roughly 800,000 foreign troops at present on German soil.

Ten-point unity plan sets Kohl and Genscher apart

BARELY DISGUISED irritation between Chancellor Helmut Kohl and Mr Hans-Dietrich Genscher, his Foreign Minister, has surfaced over the 10-point plan on German unity, writes David Marsh. In a radio interview yesterday, Mr Genscher underlined again the importance of assuring Poland that a reunited Germany would not make territorial claims by casting doubt on the Oder-Neisse line drawn up as Poland's western border in 1945.

Mr Genscher is disturbed that Mr Kohl did not make this point clear in his plan, leaving open the possibility that Bonn could bow to right-wing forces by questioning the validity of the post-war frontier.

Many of the elements in Mr Kohl's proposals – above all, the ideas on forming a confederation between the two Germanys as a stepping stone to an eventual federation – are supported by Mr Genscher. However, he was annoyed at not being consulted about the speech, which was finalised late on Monday night last week by Mr Kohl's closest advisers. One reason given in Bonn yesterday was the Chancellor's fear that Mr Genscher would undermine the speech's impact by giving advance details of it in a morning radio interview.

Signalling the poor state of relations between the Foreign Ministry and the Chancellor's office, Mr Genscher is also perturbed that Mr Kohl's desire for some form of unity with the East may dampen his willingness to go ahead with plans for European monetary union (EMU).

The Chancellor is so far refusing to approve suggestions by President François Mitterrand for an inter-governmental conference on EMU in the second half of next year – before the West German general election in December.

At the heart of the rift is Foreign Ministry suspicion of Mr Horst Teltschik, the Chancellor's security adviser, who played a key role in forming the 10 point plan. Ill-feeling towards him partly reflects his role in preparing Mr Kohl's visit to Poland last month, during which the Foreign Ministry believes the border question was mishandled.

Dam issue stirs troubled waters between Syria and Turkey

By Jim Bodgener in Ankara

TENSION is rising between Turkey and its southern neighbours following weekend confirmation by Ankara that the waters of the Euphrates would be staunched for a month from January 13. The move, prompted on "technical grounds," is especially provocative for Syria.

Neither Syria nor Iraq had reacted publicly to the announcement by yesterday evening. But see this as a way of pressing Damascus to end its support for guerrillas of the Marxist separatist Kurdish Workers Party (PKK).

In August, Mr Turgut Ozal, who was then Prime Minister, threatened to divert the Euphrates unless Damascus blocked its border to PKK operations into Turkey.

Syria has been particularly hard-hit by the drought affecting the region this year. What was perceived as insufficient Syrian remorse over the shooting down of a plane in Turkey's Hatay province by Syrian MiG fighters has exacerbated Turkish mistrust.

Turkish belligerence in press and parliament was sparked last week by the massacre of 28 inhabitants of the remote village of Ikiyaka in Turkey's extreme south-east corner by terrorists who melted back into Iraq.

Cross-border retaliation is not ruled out by the Turkish government, even though a "hot-pursuit" protocol lapsed last year.

Impounding of the massive Ataturk dam had to be on schedule for the start up of electricity generation in 1991 from its projected 2,400MW capacity, Turkish officials maintained yesterday.

Until the cut-off, an additional 400m cubic metres in addition to the 500m cubic metres agreed with Syria in 1987 would be released so both downstream countries could store water in advance. Experts have said, however, that Turkey would not be able to plug the Euphrates once Ataturk's turbines had started turning.

Calls grow in Bonn for deeper troop cuts

By David Marsh

CALLS are growing within the Bonn government to deepen planned cuts in the strength of the West German armed forces, the Bundeswehr, in line with the fast pace of East-West changes and the ebbing of superpower confrontation.

Mr Gerhard Stoltenberg, the Defence Minister, who is presenting plans to the cabinet this week on cutting Bundeswehr personnel 15 per cent to 420,000 by the mid-1990s, stood firm yesterday against suggestions that the reductions did not go far enough.

Mr Stoltenberg, however, is being challenged by a strong body of opinion from the Free Democratic Party (FDP), junior partners in the government, to keep open options for a much more far-reaching lowering of troop numbers. Mr Stoltenberg's Christian Democrats suspect that the FDP is playing for electoral advantage by appealing to strong popular pressure for arms reductions.

Mr Jürgen Möllemann, the FDP Education Minister, has spoken out recently in favour of lowering the Bundeswehr's strength to 350,000, and dropping the conscription period to 12 months from 15 months.

Mr Möllemann, echoing views known to find favour with Mr Hans-Dietrich Genscher, the Foreign Minister, has also proposed scrapping the four-nation European Fighter Aircraft planned for the 1990s – a project which is falling foul of growing parliamentary opposition.

Mr Stoltenberg said yesterday that he would not be changing the concept for cutting the Bundeswehr to 420,000 soldiers from its present 495,000 level when the cabinet discusses it tomorrow. The plan was put forward by Mr Stoltenberg and chiefs of the army, navy and air force at the end of October, and was given the blessing of coalition leaders last month.

Mr Otto Lambsdorff, the FDP chairman, said yesterday that the Government should name no specific level of troop strength for the 1990s because of the likelihood of further disarmament progress between Nato and the Warsaw Pact.

Czechs 'well-placed' to catch up with the West

A bullish Dr Valtr Komarek talks to Leslie Colitt

CZECHOSLOVAKIA could achieve Austrian economic and living standards within five to seven years if it embarks rapidly on wide-ranging economic and political reforms, a prominent economic adviser predicts.

The surprisingly-optimistic forecast is made by Dr Valtr Komarek, who heads the prestigious Institute of Prognostics and who is widely tipped as a future Prime Minister. He argues that despite the Communist party's mismanagement of the economy, the "physical and human foundations" remain for a remarkably swift economic recovery.

Since the Prognostics Institute was founded in 1986, it has provided the Government with reliable economic information and recommended sweeping reforms which, however, were blocked by the party.

Undoubtedly, Czechoslovakia's starting point is much better than most Communist countries. Unlike in Poland or the Soviet Union, food shops are filled with meat, sausage and pre-Christmas oranges and bananas. While choice is limited by Western standards and packaging is poor, the variety equals that in neighbouring Hungary, while (subsidised) prices are much lower.

Dr Komarek insists, however, that Czechoslovakia cannot be compared with Hungary but only with the West. In 1938, its industrial plant was on a par with Belgium's and the standard of living was well above that of Austria. After the Communist takeover in 1948 heavy industry was expanded at a break-neck pace.

Forty years on, Czechoslovakia ranks among the leading producers of steel, fuels and metal-bashing machinery but lags far behind in advanced electronics. A veritable glut of 15m tonnes of steel is produced, or one tonne per capita – more than any country except Luxembourg. Factories produce a range of trucks, buses and locomotives which Western contries many times its size cannot match.

Giant engineering concerns, such as Skoda and Tatra, cover virtually the entire range of products from nuclear and conventional power plants to mammoth presses for the Soviet Union. Moscow, however, is expected to take up to 30 per cent fewer heavy engineering products from Czechoslovakia in the next few years.

More than [illegible]m tonnes of lignite and 28m tonnes of black coal are mined in the country, which generates 90bn Kw of electricity. But much of the energy disappears up the smoke-stacks, creating one of the biggest ecological disaster areas in Europe. Czechoslovakia uses three times as much energy to achieve one unit of net production as Western European industrial nations.

Similarly, nearly 11m tonnes of cement are produced but only 1m arrive on the market. The state pours the rest into dubious projects.

The end result is that exports of $4bn to the West contain a high proportion of low added-value wood products, basic chemicals and coal.

Dr Komarek notes that Austria earns $9bn from tourism alone, while Czechoslavakia gains only $150m.

"The investments in Prague were put in by (Emperor) Charles IV and not the Communist party", he remarked last week in a jab at the party of which he is still a member. Yet he does not share the pessimism of some Western economists about the economy. "Our economy is comparatively stable and has a rather strong potential in the classic industries. We have a rather solid infra-structure and are a well-educated nation," he says.

His proposals to the Government are certain to play an important role in the economic reform package. Dr Komarek's institute advocates a sharp reduction in heavy engineering, mining, basic chemicals and textile production. Far greater emphasis would be placed on consumer goods' output – cars, as well as housing and the neglected service sector. Tourism would play a key role as a hard-currency earner and be opened to Western investments of all kinds.

He estimates that $40,000 will be needed to modernise one job in processing industry, which adds up to $15bn needed over a period of 10 years. Part of this can be earned from hard-currency exports, which could be trebled from the present $[illegible]bn "without the West feeling it", he suggests. The financially-conservative Czechoslovaks, who have merely $6bn in debts to the West are regarded as being highly credit-worthy by Western bankers.

A growing role should be played by private entrepreneurs in addition to state ownership of large companies, which would be encouraged to seek Western financial participation. Dr Komarek wants to break the "monopoly position" of producers (thus avoiding Polish and Hungarian-style inflation) by subjecting them to harsh domestic and international competition. The koruna should be devalued until a realistic exchange rate is achieved to Western currencies with the end goal of convertibility, he says.

Industrial restructuring will mean the loss of "several hundreds of thousands" in jobs in mining, steel and engineering jobs, Dr Komarek estimates. Halting production of surplus machinery, formerly exported to the Soviet Union, could cost 120,000 jobs alone. The surplus manpower should be re-trained for employment in the service sector and receive compensation from the state, as in Sweden. Dr Komarek is confident that a richer Czechoslovakia will be able to find adequate "human solutions" for the problems of unemployment.

Above all, he says, political reforms must proceed hand-in-hand with economic reforms.

Dr Komarek is convinced that in the not-too-distant future, Czechoslovaks will reap the economic rewards from their heritage of democracy, humanism, prudence and hard work.

DISCLOSURES of covert East German armaments sales to the Third World are expected to lead to revelations of far greater weapons exports by Czechoslovakia, the Warsaw Pact's second largest purveyor of military hardware after the Soviet Union.

The country's foreign trade officials estimate that arms sales, which are a national secret, exceeded the hard currency equivalent of Koruna 2bn (£87m) annually in recent years.

The officials said Libya, Iran, Iraq, Egypt and Cuba had been the main arms customers in the past, apart from the Soviet Union which took the bulk of military exports. Sales were declining, however, as the result of a reduction in Soviet orders and the end of Iran-Iraq conflict.

Czechoslovak tanks, produced under licence from the Soviet Union, are exported to the Middle East and are the biggest single weapons item, followed by light arms and munitions. While nearly 2,000 Aero L39ZA jet trainer aircraft are produced annually nearly all of them are sold within the Warsaw Pact.

One Czechoslovak expert said that until the late 1970s, 30 per cent of Czechoslovak machinery exports to the Soviet Union comprised weapons. Directors of large engineering companies had actively promoted arms production by lobbying in the Soviet Union through their politicians.

Czechs cluster round a table in Prague to sign a petition protesting at the composition of the new Government

Yugoslav Party heads for split as Serb trade embargo begins

By Judy Dempsey in Vienna

YUGOSLAVIA'S fractured federal Communist Party was yesterday taking a step towards a formal split as an embargo imposed by the Republic of Serbia on trade with Slovenia went into effect.

The decision follows Slovenia's refusal last week to allow Serb nationalists to hold a demonstration aimed at explaining the conditions under which the small Slav minority lives in the southern province of Kosovo.

Slovenes yesterday said they had taken such precautions because they could not rule out attempts by the Serbs at destabilising the republic on a scale similar to that carried out last year in Montenegro and Vojvodina.

At the root of the dispute between Serbia and Slovenia – each of which represents the opposite end of the political spectrum within the Yugoslav Federation – is the province of Kosovo.

The province has remained unstable during the past year. Demonstrations and riots were staged by the ethnic Albanian majority in protest against changes to the Serbian constitution which gave that republic direct control over the region.

The changes, spearheaded by the populist Mr Slobodan Milosevic, then party leader of Serbia and now its president, earned sharp rebuke from liberal-minded Slovenia.

However, as Belgrade consolidated its political grip over Kosovo, it failed to address the province's serious economic problems and those of its own republic.

Now, in what is regarded as an attempt to deflect away from the continuing crisis, the republic's Socialist Alliance of Working People (Sawap), a Party-backed front organisation, tried last week to shift the centre of nationalist gravity up to Slovenia.

It failed, due to the ban by the Slovene Interior Ministry on demonstrations and a growing awareness among Serbs that nationalist demonstrations are becoming increasingly futile in solving a deteriorating economy.

Sawap, after denouncing the Slovenes for their alleged undemocratic practices, called on all enterprises in Serbia to break off economic links with Slovenia. The response is likely to invoke more rhetoric than deed.

Yesterday, a manager of a tobacco factory in the southern Serbian town of Nis said any break in relations with Slovenia would mean fewer tobacco sales since the cartons come from there.

The newspaper Polityka, the bastion of Serbian xenophobia which is at the forefront of this nationalist-inspired boycott, obtains its paper supplies from Slovenia.

Spare parts for the Serbian-made Zastava car are also supplied by Slovenia. A boycott would reduce much-needed earnings for the Serbian economy and lead to temporary closures.

Thus, more circumspect officials from Slovenia and Serbia do not believe that the boycott will bite, given the mutual interdependence of both economies.

Slovenia exports 33 per cent of all Yugoslav goods and supplies more than 35 per cent of its produce, particularly to the Serbian market.

But what they do believe is that the federal party is slowly disintegrating, unable to come up with any national programme to resolve the deep-seated nationalist and political problems.

These issues will be debated during next month's Extraordinary Party Congress, at which the formal split by Slovenia from the federal party structure cannot be ruled out.

Basque MPs thrown out of Spanish Parliament

By Peter Bruce in Madrid

SPAIN'S NEW legislature got off to a fiery start yesterday. The Speaker ejected three ultra-nationalist Basque MPs, and only 333 of the 350 seats were occupied because of court rulings that nullified the election result in two provinces.

The Speaker refused to recognise three members of Herri Batasuna, the political wing of the Basque guerrilla group, Eta, after they insisted on a change in the wording of their oath of allegiance to the constitution. A fourth HB deputy is recovering in hospital from gunshot wounds.

The HB deputies will be given another chance to take the oath but their absence, and court rulings last week ordering new elections in Murcia and Pontevedra, deprives Mr Felipe Gonzalez's Socialists of an outright majority in Parliament. However, he is still expected to be re-elected formally as head of government at today's session.

The Socialists won 176 of the 350 seats – a bare majority – on October 29 but a court in Murcia later stripped him of a seat in the province and gave it to the Communist-led Izquierda Unida. A higher court overturned that ruling on Friday and insisted that all nine Murcia deputies must be elected again.

On Saturday, a Galician court ordered the entire election in Pontevedra to be held again, putting another Socialist seat in danger, after upholding allegations of voting fraud. Both elections will take place in the next three months.

The apparent inability of the Government to guarantee a fair election has profoundly embarrassed the Prime Minister, and he said yesterday that he would ask for a vote of confidence after the two elections have been re-run.

Mr Gonzalez opened the session by insisting that the Government had no plans to harden already tough credit and fiscal policies. Measures already taken, he said, were "sufficient, are showing results, and should be evaluated calmly."

As he was speaking, the Bank of Spain announced that October's current account deficit had reached a record $1.53bn (more than the first 10 months of last year together) to bring this year's 10-month deficit to $8.4bn. Imports in October rose 25 per cent on October last year, while exports rose only 5 per cent, bringing the trade deficit for the year to $19.8bn, a 60 per cent increase on 1988.

Obviously responding to election losses to the left, Mr Gonzalez said the Government would raise pensions to the same level as the minimum wage and redesign the income tax regime to ease the burden on low earners.

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Jakarta stock exchange faces test

By **John Murray Brown** in Jakarta

INDONESIA'S stock market reforms face a critical test today when trading starts in a large local cement company which many brokers fear could swamp the recently rejuvenated Jakarta exchange.

Indocement, a company part owned by Mr Liem Sioe Liong, a local Chinese and a close business associate of President Suharto, is making a $335m issue, in one stroke increasing Jakarta's market capitalisation by a third.

It is not only the size that is cause for concern. Indocement has failed to make profits in the last two years of operations, one of the few requirements for a company to receive listing approval. The company reported losses of Rupiah 77.9bn (£29m) last year and Rupiahs 97bn in 1987.

In addition in 1985, faced with excess capacity and large debts, Indocement was involved in a controversial $325m bail-out through which the government took a 35 per cent equity stake.

New stock accounts for 75 per cent of the issue. However Mr Liem will receive about $20m through the sale of existing shares. Mr Sudwikatmono, the cousin and foster brother of President Suharto will receive $6m. The government takes $26m and will keep a 30.4 per cent stake in the company.

One foreign banker described the issue as "blatant favouritism" which he feared could damage the market's reputation.

Since rules on foreign ownership were eased last year Jakarta has attracted unprecedented interest. The index calculated on a percentage basis peaked at 525 in early September, having idled at under 100 at the start of 1988. Yesterday it slipped below 400.

Indonesia's economy is on the road to recovery and a construction boom means cement stocks should prove a good buy. But Indocement, like many companies on the Jakarta market, is considered overpriced. Its Rupiah 10,000 striking price is more than 20 times projected earnings for 1990 - the normal measure of a company's underlying value. It assumes a profit turnaround of Rupiah 255.5bn.

According to the underwriters the issue has been fully subscribed. Less than 25 per cent was foreign interest, hitherto the driving force of the market. Brokers believe much of the remainder was taken by government pension funds and Liem associates.

With a grey market last week in Indocement of Rupiah 8,500, many expect the issue to open today at a significant discount, leaving investors looking at large paper losses.

Indonesia boosts loan to $500m

INDONESIA, Asia's largest debtor with total outstanding debt of more than $50bn, has won such strong bank support for its latest loan syndication. It is increasing the borrowing to $500m. A US dollar denominated loan which was negotiated last week in Hong Kong had first been set at $350m.

The 8 year credit is lead managed by JP Morgan, the US Bank. The borrowing carries interest of 0.5 per cent over Libor, the London interbank offered rate, for the first 4 years and ⅝ per cent for the remainder - significantly softer than earlier syndications. It also has a drawdown option in dollars or two other currencies. Officials of Bank Indonesia, the country's central bank, said yesterday 70 per cent of the participation was by non-Japanese banks.

Around half of Indonesia's official debt is at concessional rates. But Jakarta is concerned to contain the yen exposure which currently accounts for more than a third of the total. The World Bank estimates adverse currency fluctuation added $12.6bn to Indonesia's external debt over the period 1982-88, the equivalent of 9 per cent of the country's GDP.

Vice president urges Aquino to step down

By **Michael Murray** in Hong Kong

MR Salvador Laurel, Philippines opposition leader and vice president, was still in Hong Kong yesterday despite the resumption of flights to Manila, and urged Mrs Aquino to step down and call fresh elections in order to peacefully resolve the crisis.

Mr Laurel said in an interview in the colony's Peninsula Hotel that he was hoping to return to Manila today and would offer himself as a negotiator between the two sides. He called for Mrs Aquino to drop her tough "surrender or die" stance with the rebel soldiers and instead listen to their grievances.

"President Aquino should take a more conciliatory stance," he said. "I for one do not believe in force and violence, I am one of those who are firmly and unalterably committed to democratic and constitutional means," Mr Laurel, who denies any involvement with the rebels, said.

Mr Laurel repeated a challenge he first issued in September 1987 for both he and Mrs Aquino to step down and for new elections to be called. "With these things confronting us what's wrong with giving up the remaining two years, and let a fresh mandate be obtained from the people.

"A leader must be willing to make sacrifices especially if the objective is to avoid bloodshed and violence. This thing could deteriorate into guerilla warfare and even civil war, and I think stepping down and giving up two years of six years is a cheap price to pay for any public servant."

He cast doubts upon Mrs Aquino's ability to continue governing even if the coup is put down. "If Mrs Aquino insists on staying in power I don't think that would assist in solving the problem," Mr Laurel said. "I think she would have a very hard time providing leadership, especially now she is being perceived as more beholden to Washington than to the Filipino people."

Government troops rush a heavy machine gun and ammunition from a truck to comrades fighting in the high-rise Makati district of Manila yesterday

Sony halts plan for Philippines plant

By **Robert Thomson** in Tokyo

SONY, the Japanese consumer electronics maker, has indefinitely postponed plans to build an audio equipment production plant in the Philippines, which had struggled to build an image of stability to entice Japanese investment before the failed coup attempt.

The Japanese company had already made a down-payment on a factory site near Manila, and received final approval from the Philippine Board of Investment only two weeks ago for the Y5bn project (£22.4m), but has now decided to "monitor" indefinitely the country's political situation.

"We want to see how the Aquino Government handles the situation. The delay could be a couple of months or it could be indefinitely. We will have to see how things develop," a Sony spokesman said yesterday.

The plant was to have been a symbol of the success of the Aquino Government's attempts to convince Japanese companies of the country's political stability. In 1987, direct investment in the Philippines by Japanese companies was $72m (£46m), last year, the figure rose to $134m, and in the first six months of this year, the amount was $101m, according to Japan's Ministry of Finance.

An official of the Ministry of International Trade and Industry (Miti) said that the events of recent days have been a serious setback for Japanese investor confidence in the Philippines, and that it could take two years for investor confidence to be restored.

"All of the negative aspects of the Philippines are now being emphasised by the Japanese press. This is creating a very bad impression. Until now, the country's economy had been going well, but, fundamentally, it is not strong, so the coup attempt will be very damaging," the Miti official said.

The Sony spokesman said that "it is difficult to say" under what conditions the company would resume work on the project: "I can't give you any precise criteria."

Production of radio cassette players and compact disc players was scheduled to begin in early 1991 in the plant, in which Sony had a 55 per cent stake and Solid Corporation, a distributor of Sony products in the Philippines, has a 5 per cent share.

China and Japan in accord on boat people

By **Robert Thomson** in Tokyo

JAPAN and China have finalised arrangements for the repatriation of about 300 Chinese boat people later this month, but serious doubts remain about the punishments that the refugees will receive on their return to China.

The Chinese have arrived in recent months and many had pretended to be Vietnamese, who have automatically been given right of residence in Japan. However, screening by Japanese authorities suggests that as many as 2,000 of more than 3,100 refugees to land in Japan this year could be Chinese.

It is expected that a boat chartered by the Chinese Government will arrive in Japan late in the month to take about 300 of the recent arrivals back to China, although several Chinese have said that they fear political persecution. Japanese officials have been reluctant to raise the issue of punishment, which they regard as an internal Chinese matter.

A Japanese Ministry of Justice official said that 902 people have been confirmed as Chinese citizens by the Chinese embassy here, with some of them Vietnamese of Chinese origin who resettled in southern China a decade ago. The official said that information about further suspected Chinese will be presented to the embassy in coming days and that the boat charters will continue until all the Chinese are returned.

When the Chinese arrived in Japan they were treated as refugees, but, after screening, they have been classified as illegal immigrants, moved from refugee camps and kept under tight security. Japanese police are searching for 15 Chinese who escaped from custody shortly before security was tightened when refugee regulations were changed in September.

Until then, all Vietnamese refugees landing in Japan had a right of residence, but, following a 1,800 per cent increase in arrivals this year, the Government decided to introduce a screening process, and will now only grant residence to those judged to be political refugees. Economic refugees are being held until a repatriation agreement can be finalised with Vietnam.

UK allowed access to nurse held in Iraq

By **Victor Mallet**

BRITISH consular officials in Iraq were finally granted access yesterday to Mrs Daphne Parish, a nurse detained in connection with espionage allegations since September 19, the Foreign Office said.

The British Consul-General and Consul in Baghdad saw Mrs Parish for 45 minutes at the Iraqi Foreign Ministry. They reported that she looked thin but was in fairly good spirits.

Mrs Parish and Mr Farzad Bazoft, an Iranian-born journalist for The Observer newspaper, were arrested after he tried to investigate an explosion at an Iraqi military-industrial complex in which hundreds of workers are said to have died.

The arrests and difficulties which the British have encountered in gaining access to the two captives – Mr Bazoft was seen once last month – have strained relations between London and Baghdad. Last week the French Ambassador in Iraq protested on behalf of the 12 European Community members about the failure to grant consular access.

Britain said yesterday that it was seeking further consular visits and legal representation for Mrs Parish and Mr Bazoft. Iraq says it is still investigating the matter.

Mr Bazoft appeared on Iraqi television in October and confessed to spying for Israel. Neither British officials nor The Observer took the confession seriously and they suggested that he may have been speaking under duress.

Western officials say the explosion in August at a defence complex south of Baghdad may have been at a munitions plant or a factory for making solid rocket fuel.

Iran eases rules on foreign exchange

By **Kamran Fazel** in Tehran and **Victor Mallet**

IRAN yesterday stepped up efforts to rein in the black market in foreign currency, announcing reforms to undercut unofficial dealers after a fall in the value of the rial.

Mr Mohammed Hossein Adeli, the Central Bank Governor, was quoted by the official media as saying that foreign exchange regulations for importers and travellers were being liberalised. Individuals will be allowed to buy $300 a year for trips abroad.

"We intend to expand our plan to cover all the legitimate demand on the unofficial foreign exchange market," Mr Adeli said.

"Only illegitimate customers will remain on the unofficial market and they will be treated according to the law." He also said the banking system would buy in foreign currency.

Mr Adeli and his colleagues are trying to talk up the value of the rial and frighten the speculators. He was quoted by the Iranian news agency yesterday, somewhat prematurely, as saying that the black market had "come to a closure thanks to the new policies of the government". Iranians remain sceptical, however, about the ability of the Government to control the black market without running down the country's foreign exchange reserves.

In October the authorities introduced a "competitive rate" for certain imports as part of strategy to undermine the black market. The competitive rate is now set at 975 riyals to the dollar, compared with the official rate of about 72 and the free market rate of 1,150.

But for the past week some prospective purchasers of foreign currency have found themselves unable to buy at the competitive rate, prompting speculation that the government is short of dollars. and pushing down the riyal on the black market.

Further details of Mr Adeli's plans, which include the extension of the right to buy currency at the competitive rate to more manufacturers, are expected to be released shortly. President Rafsanjani's long-term aim is to unify all the different, officially-available rates of exchange and eliminate the black market altogether. It will be a difficult task, because the gap between official and unofficial rates has become so wide and and people have become accustomed to manipulating the system.

Agency marks the winners and losers in Japanese drive to buy

By **Stefan Wagstyl** in Tokyo

TROPICAL fish rentals are soaring in Japan. So are sales of courses for would-be bridegrooms, instant pasta and size-adjustable babies' shoes.

The range of goods included in an annual list of top-selling products published by Dentsu, Japan's largest advertising agency, is wider than ever. It provides plenty of evidence that Japanese consumers are becoming more individual and self-assertive – and that companies are getting better at targeting their products.

Dentsu says: "In 1989, consumers found themselves no longer content with just following trends and began to assert more individuality in their acquisition patterns."

Rising sales of fast cars, portable compact disc players, lightweight video recorders and lap-top computers all bear witness to Japan's continuing fascination with technology.

"Many superior 'high-tech' products can now be enjoyed at reasonable prices," says Dentsu. For example, sales of portable video cameras have risen by 30 per cent this year to more than 1.7m. The launch of Sony's latest model, the Handycam 55, was so successful that it captured 40 per cent of the market in its first month.

The prices of compact disc players and discs have fallen low enough for young teenagers to buy. CDs now account for about 90 per cent of the market in pre-recorded music – records have become hard to find in central Tokyo.

The multifunctional front door comes a special mention from Dentsu. This electronic marvel, costing Y695,000 ($4,860), has a burglar alarm, an electronic lock, a message recording machine and a computer to forecast the weather.

Convenience goods are also in demand. The Y280bn-a-year market for pot noodles was long dominated by sales of standard-sized portions of about 70 grams. This year, a newly-launched 120-gram giant size has captured almost 20 per cent of the market. Dentsu says the old-style portions are enough only for a snack – giant-sized pot noodles are a meal in themselves for young people with no time for cooking.

Companies are spending a fortune promoting health foods. Fortified drinks – with food fibre and minerals – have done particularly well.

Dentsu's list of winners makes selling to Japanese sound easy. The losers have been left in decent obscurity. They can perhaps console themselves looking after the rented tropical fish.

Setback for Taiwan political reforms

By **John Elliott** in Taipei

TAIWANESE government plans for political reforms based on the voluntary retirement of elderly Kuomintang (KMT) legislators may face a temporary setback because of the victories won by the country's main opposition, the Democratic Progressive Party, in polls last weekend.

Contesting elections for the first time as a legal political party, the DPP won over 30 per cent of the votes cast. It secured six regional administrative posts as mayors and magistrates and is claiming KMT ballot-rigging prevented a seventh victory.

With independent supporters, it also won about 24 seats in the country's national parliament, the Legislative Yuan.

This has shocked the KMT's elders, many in their 80s and 90s, who have regarded their party as the rightful ruler of the island since Generalissimo Chiang Kai-shek fled the mainland 40 years ago and founded modern Taiwan.

There was no chance of the KMT losing overall power at the weekend because it controls the Legislative Yuan and other institutions. In addition to 72 seats which it won in the Yuan polls, it also has 29 appointed representatives of overseas Chinese communities as well as about 160 of the elders who were first elected to represent mainland China constituencies in 1947.

The government introduced legislation last February to encourage the elders to retire. At that time there were 200 of them and government spokesmen expect this to have come down by at least 70 when the new Legislative Yuan starts work next February after the Chinese New Year. The 130 remaining would be further reduced in practice because a large number of them are too infirm to attend.

Last Friday senior KMT officials intimated that there would be faster progress and forecast that there would be a "significant breakthrough within the next few days". They thought a substantial number would retire after the weekend poll so taking some of the steam out of a DPP campaign for electoral reform.

However several of the elders are now saying that they are not willing to retire quickly from the Yuan because of the increased DPP presence. They are likely to be backed by elders in the National Assembly who form an electoral college that will choose the country's president next March when Mr Lee Teng-hui, the current president, is expected to be re-elected.

Politics will now become increasingly controversial because the DPP will be able to provoke the KMT administration by tabling measures in the Yuan. Some radical members are also likely to try to raise the unconstitutional issue of declaring the island independent from the mainland.

Bangladesh 'can defeat floods'

By **Robin Pauley**, Asia Editor

BANGLADESH should be able to protect itself from flood catastrophes within five to 15 years if next week's meeting of aid donor nations in London agrees to finance an action plan, Mr Mdoud Ahmed, vice president of Bangladesh, said yesterday.

The meeting organised by the World Bank will consider an action plans drawn from aspects of four separate studies of Bangladesh's flooding problems undertaken by France, Japan, the US and the United Nations Development Programme which will then be extended for a further 10 years.

"We are a victim of global and regional environmental problems. A one-metre rise in the sea level would submerge one third of Bangladesh. In addition, our flooding problems are caused by massive deforestation in the Himalayan foothills and by excessive rainfall in the Himalayas which produces a rush of water here," said Mr Mdoud.

He said there would be no danger of aid which would have gone to the Third World going to Eastern Europe instead if the developed countries met the agreed target for aid of 0.7 per cent of GNP. "I hope they will now do this. Then there will be enough for both developing countries and Eastern Europe," he said.

Vice President Mdoud said he was confident that developing countries would benefit from the single European market after 1992. "Some people think it will be a fortress Europe but I think it should open up a new and expanded market particularly if growth within the EC turns out to be the 5 to 7 per cent expected," he said.

● Mr Mdoud also announced that district elections due in Bangladesh in 1990 would be held in March. Polling would begin in the first week of March and would be staggered over two weeks as there would not sufficient police forces to guarantee law and order for polling on the same day throughout the country.

Aid deal for Ivory Coast

By **Mark Huband** in Yamoussoukro, Ivory Coast

SOUTH AFRICA is poised to make a substantial package of technical assistance available to the Ivory Coast.

Mr F W de Klerk, the South African President, discussed the package with Mr Felix Houphouet-Boigny, the Ivory Coast President, during a 24-hour visit to the country on Friday.

The package is centred around the development of Ivory Coast's gold mining industry. An offer of technical assistance for the mining industry has been made as well as a proposal of substantial assistance in other sectors including agriculture and agro-industry. No figure is as yet available.

Work is soon to start on a large gold seam in the west of the country, 130 kms south of the town of Man, and is expected to produce 650 kg of gold annually.

There are no formal diplomatic relations between the two countries and an official trade ban exists, trade relations have been growing. South African Airways was granted landing rights at Abidjan airport in November 1987. Since then a variety of South African foodstuffs have become available in Ivory Coast, notably fruit, vegetables and meat. Mr De Klerk did not rule out a resumption of formal relations.

Nigeria unveils political parties

NIGERIA'S military President Ibrahim Babangida yesterday launched two new political parties, tailor-made by his government to return the country to civilian rule by 1992, Reuter reports from Lagos.

Presenting manifestos and constitutions drafted by a committee of the Armed Forces Ruling Council, President Babangida told journalists the Social Democratic Party and the National Republican Convention were "expressive symbols of the new political order."

One of the new parties was to be a little to the left and one a little to the right of the political centre, he said.

Sikhs rally round leader freed from jail

By **K.K. Sharma** in New Delhi

EFFORTS to resolve the Punjab issue are expected to be renewed now that Mr Simranjit Singh Mann, the former Sikh police officer, released after five years in an Indian jail for preaching secession of Punjab, has returned to the holy city of Amritsar to a hero's welcome. Mr Mann and eight of his followers have been returned to parliament in the recent Indian elections.

Despite his long imprisonment, much of it in solitary confinement, Mr Mann has said that the Sikhs' demands can be worked out within the framework of the Indian constitution. This suggests he is willing to consider a settlement of the Punjab crisis on the basis of more autonomy without seeking secession.

Mr V.P. Singh, the new Prime Minister, spoke over the weekend of "the urgent need for a national endeavour to resolve the (Punjab) problem". The Prime Minister is expected to deal directly with Mr Mann in working out a solution now that the militants have emerged into the open under him.

First contacts are expected to be made when Mr Mann and supporters of his faction of the Akali Dal, the Sikhs' main political party, come to New Delhi later this month when the first session of parliament is held.

Sikh moderates feel Mr Mann will first have to consolidate his position among the militant leaders, most of whom are still underground. Some have made highly provocative statements in an attempt to force Mr Mann to take an extreme position.

Mr Mann's wide respected in the entire Sikh community, comes partly because of his long imprisonment and trial on charges of sedition and conspiracy to assassinate the late Mrs Indira Gandhi.

His imprisonment has enabled him to steer clear of the tangled Sikh politics which are ridden with factional quarrels. He now emerges virtually as the Sikhs' unchallenged leader but to retain this position Mr Mann will have tread carefully in the coming weeks.

That expectations are high in Punjab is demonstrated by the sharp fall in violence for the past week after polling in the national elections went off peacefully in the state.

Dilemmas of countering the intifada nag at the Israeli soul

Hugh Carnegy reports on the continuing controversy over the level of force used against the Palestinian uprising

AS THE Palestinian uprising against Israeli rule in the West Bank and Gaza Strip approaches its second anniversary this week, one recurring issue of the *intifada* – the accusation of excessive use of force and widespread human rights abuses by the authorities – remains as live as ever.

In its chronicle of human rights conditions around the world in 1988, published in October, Amnesty International voiced grave concern "about a wide range of human rights violations by Israeli forces since the beginning of the *intifada*" and called for a comprehensive judicial inquiry to investigate them.

Next week, the principal Palestinian human rights watchdog in the occupied territories, Al-Haq, an affiliate of the International Commission of Jurists in Geneva, is due to produce its annual report which Ms Mona Rishmawi, its executive director, says will point to a deterioration in conditions during 1989.

The Israeli Government regards such reports as biased. Officials say they take advantage of the openness of the country to outside scrutiny – which contrasts sharply with many other states accused of human rights abuses – without taking into sufficient account the violent nature of the uprising.

The authorities were pleased recently when Amnesty condemned the recent trend of brutal killings by Palestinians of alleged collaborators in the territories.

But the Government continues to face strong complaints against its actions, which have been responsible for much of the decline in international sympathy which Israel has experienced since the *intifada* began.

Tallies for the number of people killed during the uprising now vary quite widely according to source and method of calculation. Reuters news agency puts the death toll in the territories, and in related violence within Israel itself, at 590 Palestinians killed by Israelis, 150 killed by fellow Palestinians and 44 Jews killed by Palestinians.

Whatever the exact figure – there are also discrepancies over the thousands injured – Israel's critics complain that the continuing habitual use of live ammunition and metal-filled "plastic" bullets against petrol-bomb and stone throwers is an unwarranted overreaction.

Al-Haq documentation shows only a small percentage of those shot dead had wounds to the legs, indicating there was no initial attempt to demobilise before firing at the upper body. It also suggests about one quarter of those killed were under 16-years-old. Army figures show that plastic bullets, introduced to stem fatalities, have in fact killed more than 120 Palestinians.

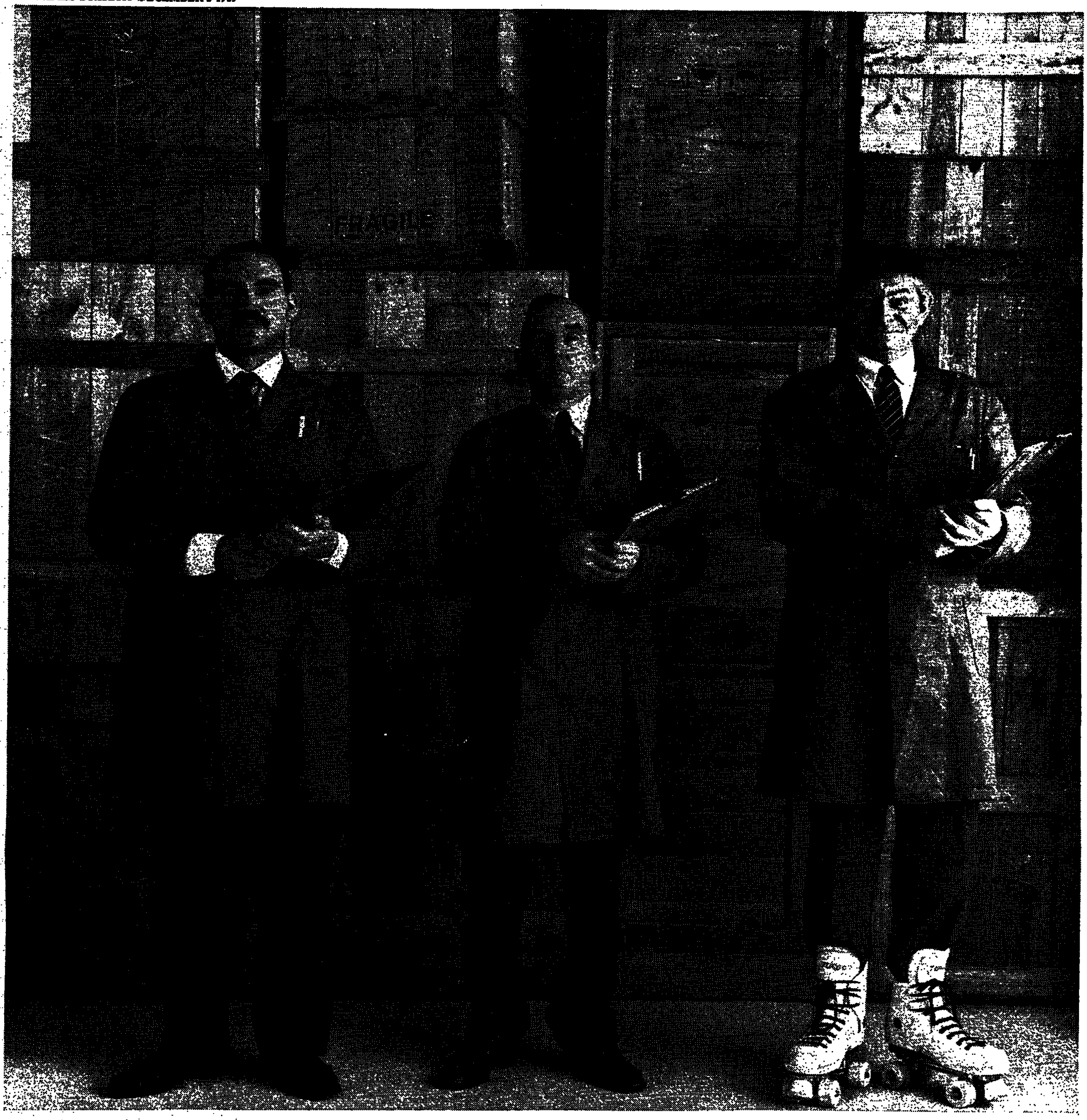
Al-Haq alleges, based on sworn statements from victims and witnesses, that detainees are routinely severely beaten – despite orders to the contrary by the military – and that torture is no longer rare. It cites evidence of summary executions by plainclothes Israeli squads.

Other complaints focus on the heavy use of administrative measures by the authorities, such as detention without trial – a person can now be held for up to one year without charge – prolonged closures of schools in the West Bank and restrictions on movement. Nearly 60 Palestinians have been deported during the *intifada* and about 250 houses of alleged activists have been destroyed.

Israeli officials deny widespread violations of human rights and reject the accusation that complaints are not properly investigated. They protest that the situation in the occupied territories demands extraordinary measures. "Hebron, unfortunately, is not like Zurich," says Mr Dan Meridor, the Minister of Justice. "We are confronting a very violent situation and we have to see to it that law and order prevails."

For Mr Dedi Zucker, a member of the Knesset for the Civil Rights Movement and founder of Betselem, a dismaying aspect of the issue is what he sees as an erosion of standards within Israel.

"The success of the Arabs was not the (1973) Yom Kippur war, but what is happening within Israel. The worst part is the unwillingness to know, the discomfort it brings to our souls."



AMERICAN NEWS

Brazilian inflation rise may force early handover

By Ivo Dawnay in Rio de Janeiro

BRAZIL'S monthly inflation rate reached 41.4 per cent in November, up from 37.6 per cent in October and deepening fears that the inauguration of a new president due in March may have to be brought forward.

With two weeks before the decisive second round in the presidential election, many political and business analysts now believe that the winner may have to follow the lead shown by President Carlos Menem of Argentina in July and take power early.

However, there are serious doubts as to whether Mr Fernando Collor de Mello, the centre-right front-runner, or Mr Luís Inácio Lula da Silva, his left-wing rival, has adequate plans in hand to cope with the rapidly deteriorating economy.

President José Sarney insists he will stay until the end of his mandate, but many market analysts say that events could force his hand.

Finance Ministry officials are unofficially reporting that they hope to keep the steadily rising inflation index below 60 per cent a month until mid-March. Some bankers, however, say that a new surge is likely as soon as the election is over. "Everyone is anaesthetised by the election," said Mr Daniel Dantas of Icatu bank, "but when they are over, we are in serious danger of another surge."

Accumulated price rises this year have already reached a record of 1,114 per cent. Any hint of further turbulence could provoke a rush out of government overnight markets into the dollar or gold.

Also, the possibility of Lula winning the presidency, although he remains some 12 percentage points behind in the opinion polls – could trigger a panic. "The markets have already discounted the Lula factor," one banker said, "but if he were to show any sign of winning, there will be serious trouble."

Concern over the short-term outlook for Brazil's economy appeared in the first question by a journalist in the first debate between the two candidates on Sunday night.

Mr Collor replied that his programme foresaw substantially increased government revenues through such measures as a crack-down on tax avoidance and government overspending. Lula spoke of safeguarding workers' incomes, renegotiating the internal debt and unilaterally halting foreign debt service (already frozen).

Both replies drew critical comments from pundits who argued that neither candidate had shown sufficient awareness of the precariousness of the country's short-term outlook. Similar criticisms have been levelled at their economic advisors.

Last January, fears of a price freeze became self-fulfilling when a wave of panic sent monthly average price rises up to 70 per cent, forcing Mr da Nobrega to order a freeze that he was thought to oppose.

Home sales and factory orders slide

By Lionel Barber in Washington

FURTHER evidence of a slowdown in the US economy emerged yesterday with reports that new factory orders and sales of new homes both declined last October.

The Commerce Department blamed October's 0.3 per cent decline in new factory orders on falling demand for defence capital goods. Weakness in this sector also accounted for September's previously unchanged performance being revised to a fall of 1.0 per cent.

At the same time, sales of new homes edged down 0.5 per cent in October, the sixth monthly decline this year. However, it was less than the 10.2 per cent plunge last September.

These figures – combined with last week's 0.4 per cent fall in the index of leading indicators and an unfavourable report from the National Association of Purchasing Management – suggest that the US economy, particularly manufacturing, is looking soft.

Economists and financial markets are now looking to see whether the Federal Reserve, through its operations in the money markets, will lower interest rates to revive the economy. In the past fortnight, the Fed has sent mixed signals. November's employment data, due Friday, could weigh heavily in any future Fed decision to ease credit. Analysts say the Fed does not want to be misunderstood again.

Despite the defence sector's weakness, orders for non durable goods rose 1.1 per cent in October. Foods, chemicals, and tobacco products showed the largest gains. However, excluding transportation, the driving force behind the rising order backlog this year, October's new orders fell 0.5 per cent.

● Mr Michael Boskin, chairman of the President's Council of Economic Advisers, said yesterday that the Bush administration would seek next spring to close loopholes in the Gramm-Rudman budget balancing law.

In a speech to the American Enterprise Institute in Washington, Mr Boskin singled out loopholes in the act which allow Congress to shift pay dates to create artificial budget savings.

Limping back towards the IMF

Robert Graham examines Peru's fraught economic revisions

THE tale of how Peruvian Senator Armando Villanueva came to donate a fine piece of pre-Columbian pottery to the nation is doing the rounds of Lima.

President Alan Garcia had turned up at the senator's house to celebrate the latter's 74th birthday. No sooner inside, the head of state spied a pre-Columbian pot and made a beeline for it. Without consulting his host, he held it aloft in front of the guests and announced that "*compañero* Armando" had made a generous gift to the National Museum, which was about to open. Mr Villanueva, who is the president's godfather and who has served him as prime minister, nodded incredulous assent. "Thank you, Armando, in the name of the nation," the president added.

Mr Garcia still gets his way in Peru, with a mixture of bravado, bullying and calculation. But he does so these days over less and less insignificant matters, and he is overshadowed by the campaign for the presidential election next April. Prevented by law from succeeding himself, he and his administration labour under an end-of-regime atmosphere. This has been accentuated by the heavy defeat of the ruling APRA party in the municipal election last month.

The president's final eight months – he is to step down in late-July – will be a crucial test whether or not Peru can be held back from the edge of economic chaos and social disorder.

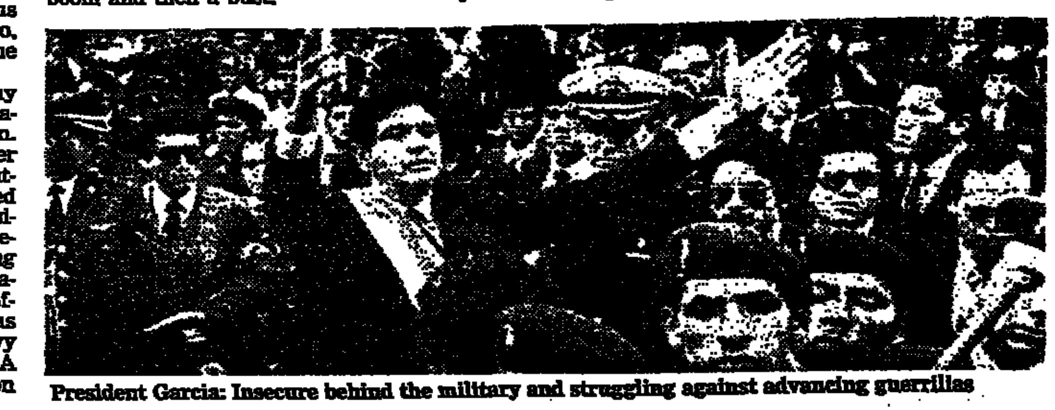
In Peru the perspective is further clouded by deteriorating security and Mr Garcia's unpredictable attitude to the two most likely successors – Mr Mario Vargas Llosa, novelist turned centre-right politician, and Mr Manuel Barrantes, Communist former mayor of Lima.

Security is so fraught that it requires the full resources of the armed forces to ensure voters were not intimidated during the municipal elections by the Maoist guerrilla organisation Sendero Luminoso (Shining Path). Sendero failed to disrupt the elections, but its campaign of terror in the Andean highlands has meant that, in many towns, no-one other than a Sendero stooge is prepared to be mayor. The guerrillas are increasingly bold and have infiltrated the police, and trade unions.

The military claims political directives are confused as to how troops should operate against an enemy whose objective still appears to be severance of Lima from the countryside and provocation of a bloody uprising.

In the capital, sabotage of pylons has wrought havoc with electricity supplies. For six weeks strict electricity rationing has been in force.

Mr Garcia had hoped, back in 1985, that the guerrilla threat could be stifled by stimulating economic growth and raising living standards. However, the policies (non-payment of foreign debt, increasing subsidies and wages) resulted in a boom and then a bust.



President Garcia: Insecure behind the military and struggling against advancing guerrillas

Since 1987 real incomes have fallen by 40 per cent against a background of hyperinflation. This has provided even more fertile soil for subversion.

Inflation, at 25 per cent per month, has become a tax on the long-suffering population. Rich and poor alike take refuge in the dollar. Money-changers, calculators in hand, are on street corners from 8 a.m. to past midnight. In two weeks the street rate has jumped from 9,000 intis to the dollar to 12,500 (at one stage touching 14,000:$1). This is three times the official rate. In mid-November the Government was obliged to close its borders to prevent contraband and a haemorrhage of foreign currency.

Despite this and other corrective measures, the government finds itself printing intis for Peruvians to buy dollars. The banks are virtually empty of sight deposits and the prevalence of low interest rates is eroding the profitability of the banks to a disturbing degree. Companies are faring better, but on the basis of short-term policies and no investment.

Falling purchasing power has produced a series of strikes. Since August, Government has been working spasmodically due to a civil servants' strike. The postal service has been out for three months, while transport stoppages have been frequent.

Against this background of gathering economic pressures, Mr Garcia has swallowed his pride and decided to deal with the International Monetary Fund. He has given the green light to his chief foreign debt negotiator, Mr Abel Salinas, to consolidate a preliminary agreement reached with the fund on November 1.

The president has presented this change of direction as a response to concessions made by the IMF. The fund has accepted the principle that Peru's plight is so parlous that conventional stabilisation programmes could prove economically damaging and socially dangerous, but no formal agreement has been reached and the fund is holding Peru to paying its arrears and repairing its relations with other multilateral organisations and with governments.

Peru is expected to pay soon the arrears due to the IMF ($44m is due in September-December). Total arrears due to the fund amount to $800m, out of $1.67bn due to multilateral organisations.

In return for this token gesture on arrears, the IMF will send a mission to prepare a medium-term economic plan.

"The hardest part of the negotiations was to convince the fund that Peru simply could not clear up its arrears with one down-payment. All we could do was to come current on arrears beginning in meeting at the beginning of September, there were very substantial differences of view and it was conducted at the September," says Mr Salinas. "It was also extremely difficult to convince the IMF that Peru today was not like Bolivia, able to carry out a shock stabilisation programme. In the first limits of courtesy."

Since then the Peruvian side seems to have convinced the fund that it is genuinely seeking to be co-operative – not least because, as of February 23 1990, the process of expelling the country from the fund was due to start.

Cynics in Peru see this move as nothing more than an effort to block the expulsion. However, this ignores Peru's current isolation in the international community and the problems created by Mr Garcia's policy of limiting debt service payments to 10 per cent of export earnings. The foreign debt has now reached almost $17bn, of which 60 per cent represents arrears.

Of late the president has also begun to talk in slightly different economic terms, including privatisation. A deal, even in outline, with the IMF, could steal some of the thunder from Mr Vargas Llosa's presidential campaign. The latter, who is well ahead in opinion polls, has set the campaign agenda with his economic proposals. These focus on trimming the state sector, removing subsidies and deregulating, in the context of a full reconciliation with the international financial community.

Such a platform is the almost exact opposite of what President Garcia promised when he took office. The wheel is turning full circle.

Doubts in US over Bush call to speed arms control timetable

By Lionel Barber in Washington

PRESIDENT George Bush won general acclaim at home for his performance at the Malta summit, but his call to accelerate arms control agreements with the Soviet Union is already stirring up criticism in Washington.

Mr Paul Nitze, the veteran US arms negotiator, said it was wrong to commit the US by the middle of next year to producing agreements, particularly on cutting strategic nuclear weapons by 50 per cent. "I hope the President doesn't take it too seriously," he said.

Mr Sam Nunn, the key Democrat who chairs the Senate Armed Services committee, agreed: "I don't believe we gave away chips, but I do believe that setting an arbitrary timeframe for arms control treaties to actually be completed and signed is not wise."

In the New York Times, Mr William Safire accused Mr Bush of pressing for a quick treaty to reduce strategic arms instead of focussing on efforts to reduce Soviet conventional arms superiority in Europe. "Doormat diplomacy," he thundered, "In succumbing to a misperceived need to seize the moment, President Bush let the moment seize him."

Mr Bush said at the weekend he would like to "shoot" for a strategic arms accord by next June's planned summit in the US with President Gorbachev. But other US officials, notably Mr James Baker, US Secretary of State, have been more cautious, suggesting that a Start treaty may be ready for signing by the end of next year.

However, leading Democratic Senators who have accused Mr Bush of "timidity" in his foreign policy, welcomed Mr Bush's steps towards a cooperative relationship with the Soviet Union. "It was a successful summit," said Mr George Mitchell, Senate majority leader and one of the President's most persistent critics.

Mr Bush's decision to liberalise trade and offer observer status for Moscow in the General Agreement on Tariffs and Trade (Gatt) drew support in the business community. "It is time now to unleash trade as a force for a better relationship," said Mr Dwayne Andreas, chief executive of Archer-Daniels-Midland who knows President Gorbachev personally.

The Washington Post, in an editorial, described Mr Bush's Malta initiatives as modest and constructive. "From the Soviet viewpoint, Mr Bush's most important initiative had to have been that he is starting to play the American economic card. . . For Mikhail Gorbachev, this is the payoff that will let him show critics and consumers that perestroika. . . is worth the pain."

The Wall Street Journal handed editorial space to Alexis de Tocqueville, the French political theorist who drew attention to the deep cultural differences between the two countries in "Democracy in America" written in 1840.

Racial tension runs high during Miami trial

The Florida city takes up arms amid fears of ethnic violence, reports Henry Hamman

ON January 16 1989, known as Martin Luther King Day, Miami police officer William Lozano shot and killed a black motorcyclist, 23-year-old Clement Lloyd. A passenger on the motorcycle died in the subsequent crash and Miami was engulfed in three days of violence in inner city black neighbourhoods.

Now Mr Lozano is on trial, charged with two counts of manslaughter, and there are fears that, if Mr Lozano is acquitted, racial violence could erupt again.

The fears of violence are so great that the police have purchased 700 gas masks and have arranged for the use of two armoured personnel carriers.

Officials have also requested that the announcement of the verdict in the trial be delayed until police can be alerted.

Last week, the prosecution finished presenting its case to a six-person jury. The defence is now offering its version of events.

Mr Lloyd was being chased by a police car at the time of the shooting. Mr Lozano and his partner were investigating a theft and Mr Lozano was standing in the street beside their patrol car when a motorcycle appeared.

Mr Lozano has said he shot Mr Lloyd in self-defence because he believed Mr Lloyd was about to run him down.

But other witnesses said the police officer was in no danger and had no reason to shoot Mr Lloyd.

That the trial is causing concern is no surprise, given Miami's record of troubled relations between blacks and the police.

In May 1980, 18 people died after an all-white jury in Tampa, Florida, acquitted four Miami police officers of beating to death another black motorcyclist, Arthur McDuffie.

The riots – in Miami's black Liberty City neighbourhood – were among the most violent in US history.

In 1984, rioting broke out when a Miami police officer was acquitted after a trial following the death by shooting of another black man in the black neighbourhood, Overtown. The Lloyd shooting was also in Overtown.

In addition to the difficulties between Miami's blacks and the police, the Lozano case also highlights another side of Miami's ethnic tensions, the stress between blacks and Hispanics.

Mr Lozano is Hispanic. He was born in Bogata, Colombia, in 1959.

A Swat anti-terrorist team patrols Miami after three days of inner-city riots

In recent years, friction has increased as blacks have watched Hispanics advance economically and politically.

As recently as 1960, Hispanics made up only 50,000 of the total 935,000 population of the Miami metropolitan area – the Dade County.

The country's planning department projects that by next year Hispanics will number 854,000, out of a total county population of about 1.9m.

During the same period, the black population of the county will have increased from 137,000 to an estimated 395,000, a declining share of the total population.

The growth of the Hispanic population is largely due to successive waves of Cuban immigration. The most recent of these was the 1980 Mariel boat lift, which saw 125,000 Cubans arrive in South Florida in a matter of months.

In recent years, other immigrants from South and Central America have also come to Miami.

There were enough Nicaraguans in Miami for Violeta de Chamorro, the opposition candidate for president, to stage a major political rally in the city this autumn.

Peruvian presidential candidate and novelist Mario Vargas Llosa made a similar pitch to the 40,000 Peruvians in southern Florida.

Miami is in many ways a Latin city, one in which the help wanted advertisements often call for fluent Spanish.

A recent opinion poll showed that many blacks feel Hispanics have taken jobs from them. Statistics show that black income levels are lower than those of Hispanics.

Tha mayor, Xavier Suarez, is Hispanic and political consultants say that non-Hispanic candidates for Miami office will increasingly have trouble getting elected.

Miami's city commission has three Hispanic members, one black and one non-Latin white, or Anglo.

Indeed, if blacks have lost as a result of the Latinising of Miami, Anglos have too.

While the Anglos remain the wealthiest group in the city, they have seen their share of the population and their political influence decline dramatically.

In the most recent local elections, held earlier this month, only one in five of Miami's Anglo voters even bothered to go to the polls.

The local newspaper, the Miami Herald, quoted one disaffected Anglo voter who said she did not vote because she was "pretty tired" of having the chance to vote "for ethnic groups only, for blacks and Hispanics and forgetting about the Americans, and we pay big taxes."

But it is for blacks and Hispanics that the Lozano trial has the greatest symbolic importance.

In the months between the decision to put Mr Lozano on trial and the opening of the court case, some Hispanic groups ran campaigns to collect the large amounts of money needed for his defence. In the trial, three black eyewitnesses were the key to the case against Mr Lozano.

What has happened, in the words of the Miami Herald, is that the Lozano case has become for Miami a "sort of Rorschach test" in which different people "examine the same fact and see different things."

Often those "different things" depend on which ethnic group the viewer is from.

Mr Lloyd, the dead motorcyclist, was, like Mr Lozano, not a native. He was born in St. Thomas, Virgin Islands. In the hours before his death, he had used cocaine, drunk alcohol and smoked marijuana. At the time of his death he was carrying nearly $1,514 in cash and wore four gold bracelets and two gold necklaces.

Not surprisingly, the defence has sought to portray him as a small-time drug dealer and Mr Lozano as a policeman trying to enforce the laws in a difficult and dangerous situation.

The prosecution has tried to show Mr Lozano as insufficiently respectful of human life.

The jury is a mix of three Anglos, two blacks and an Hispanic. The defence sought to keep one of the blacks – a union official – off the jury, but the judge denied the challenge.

Now, the six, and four alternate jurors, file into the courtroom every day, several of them carrying pillows to ease the strain of sitting for hours on end.

Courtroom observers say that the prosecution's case against Mr Lozano did not appear to go well.

Several eyewitnesses to the shooting contradicted themselves.

But when the defence opened its case and put Mr Lozano's partner, Officer Dawn Campbell, in the witness box, her testimony, too, raised questions.

She denied that she had spoken to Mr Lozano about the shooting. But the prosecution produced photographs which showed her talking to Mr Lozano at the scene of the shooting.

In an effort to convince the blacks that the trial is fair, one television station is carrying the entire trial proceeding. But community relations officials concede that potential "rabble-rousers" are unlikely to sit at home and watch.

For Miami, there is a lot riding on whether or not the trial is concluded calmly. The city has been striving to overcome its "Miami Vice" reputation and sell itself as a business and tourist centre. Another bout of rioting would set back those efforts.

At least as important is the worry that Miami's ethnic groups are increasingly diverging.

One Anglo civic leader put it this way: the city is not a melting pot, he said. Instead, it is more like a salad bar, with lots of ingredients, all of them in separate containers.r

Mexican economic pact extended

By Richard Johns in Mexico City

MEXICO'S Economic Pact for Stability and Growth was extended at the weekend from its present end-March expiry date under a renewal of the accord between the Government, business and the labour movement. This involves a 10 per cent rise in the minumum wage together with a 5 per cent rise in the price of petrol, electricity and other public goods and services.

As expected, and notwithstanding a yawning trade deficit, the Government also announced continuation of the present exchange rate policy – dating back to the beginning of this year – of a daily slide of one peso against the dollar daily.

Under intense pressure from the main trade union federation, which Mr Fidel Velasquez, the veteran leader of the labour movement, was unable to restrain, it was agreed that the increment in the mimininmum wage should be implemented from the beginning of December.

The decision also follows the widely publicised calculations of Mr Carlos Tello Macias, the director of the National Solidarity Programme, who last week told a conference of the Confederation of Mexican Workers (CTM) that 17m citizens were living in poverty while about 41 per cent lacked basic essentials out of a population of around 85m.

There are regional variations in the minimum wage with the highest for Mexico City now set at 10,080 pesos ($3.86 at the official exchange rate). When the pact was renewed in the summer, the level was raised by 6 per cent and employers were exhorted to limit increments to this amount.

In practice, wage settlements have been much higher, such as the 33 per cent awarded to the workers of Compania de Cananea, the state-ownned copper mine, following the strike which laid off over 800 workers.

The timing of the announcement of the extension of the pact, the basis of Mexico's stabilisation policy, so far in advance of the extension date, was clearly aimed at buoying up confidence at a time when it has been visibly evaporating.

President Carlos Salinas de Gortari said that the accord would allow the consolidation of economic growth – now expected to be around 3 per cent for 1989 – twice the level set in the Government's macro-economic targets for the year.

Inflation was projected at 18 per cent but the Government now officially estimates that the final outcome will be 20.9 per cent, as measured by the Bank of Mexico's Consumer Price Index. There are growing doubts about the Government's ability to contain it to the 15.3 per cent target of the 1990 budget.

Higher prices for electricity and petrol are regarded as necessary to restrain increases in consumption far in excess of the basic growth on Gross Domestic Product.

In the next few months, price increases are expected for products such as milk, vegetable oils, beans, eggs, sugar, and tobacco as well as rail fares and highway tolls.

Canadian party picks woman head

By Robert Gibbens in Montreal

A FORMER social worker with only two years experience in federal politics has been chosen leader of the New Democratic Party, thus becoming the first woman to lead a national party in Canada.

Mrs Andrey McLaughlin, 53, MP for the Yukon, won the top job at a party convention in Winnipeg at the weekend on the third ballot over Mr David Barrett, 59, premier of British Columbia in the 1970s, who was elected a federal MP two years ago in a political comeback. She takes over from Mr Edward Broadbent.

Mrs McLaughlin, a moderate, inherits a sharply divided party. The NDP is heavily regional, being strong in British Columbia, in rural Saskatchewan, and in southern Ontario where it has the backing of large industrial unions.

Despite Mr Broadbent's pleas for the Meech Lake constitutional accord, the NDP is opposed to special status for Quebec. Mrs McLaughlin now faces the daunting task of pulling the different NDP groups into a national force.

Ruling party success in Venezuelan local polls

VENEZUELA'S ruling Democratic Action (AD) party has won 13 of 20 governorships in state and municipal elections marked by huge abstentions, unofficial results showed yesterday, Reuter reports from Caracas.

Official results were not available from Sunday's elections, the first electoral test of the government of President Carlos Andres Perez. The AD's success, despite widespread unhappiness with Mr Perez's economic policies and concern over violent crime, was attributed to better organisation, political analysts said.

An austerity programme imposed by Mr Perez lifted price and exchange rate controls and eliminated state subsidies to make the debt-saddled economy more competitive.

Nearly 300 people were killed in nationwide riots in February, three weeks after Mr Perez took office, to protest against price increases and food shortages.

In addition to the governorships, voters elected 269 mayors and 1,963 local councillors. Results of those elections were not available yesterday morning. Although Venezuelans have held elections for presidents and congressmen over the last three decades, Sunday marked the first time that elections were held for governors and for mayors, the latter a new political post established under recent electoral reform.

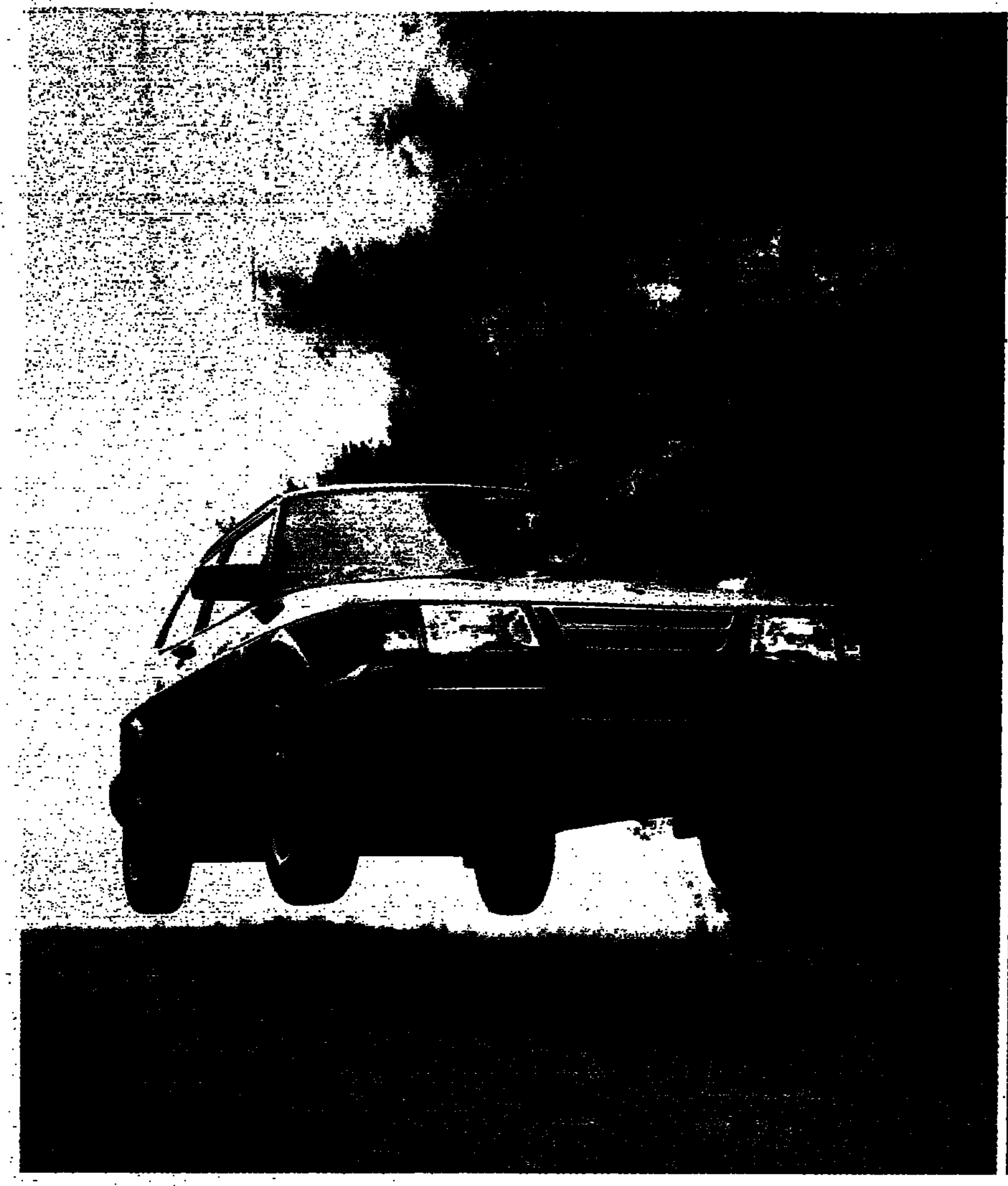
Political parties presiding over the count agreed that the AD had won 13 of 20 governorships. The main opposition Christian Democrats won five governorships, the Socialist MAS Party one, and the left-wing Electoral People's Movement one.

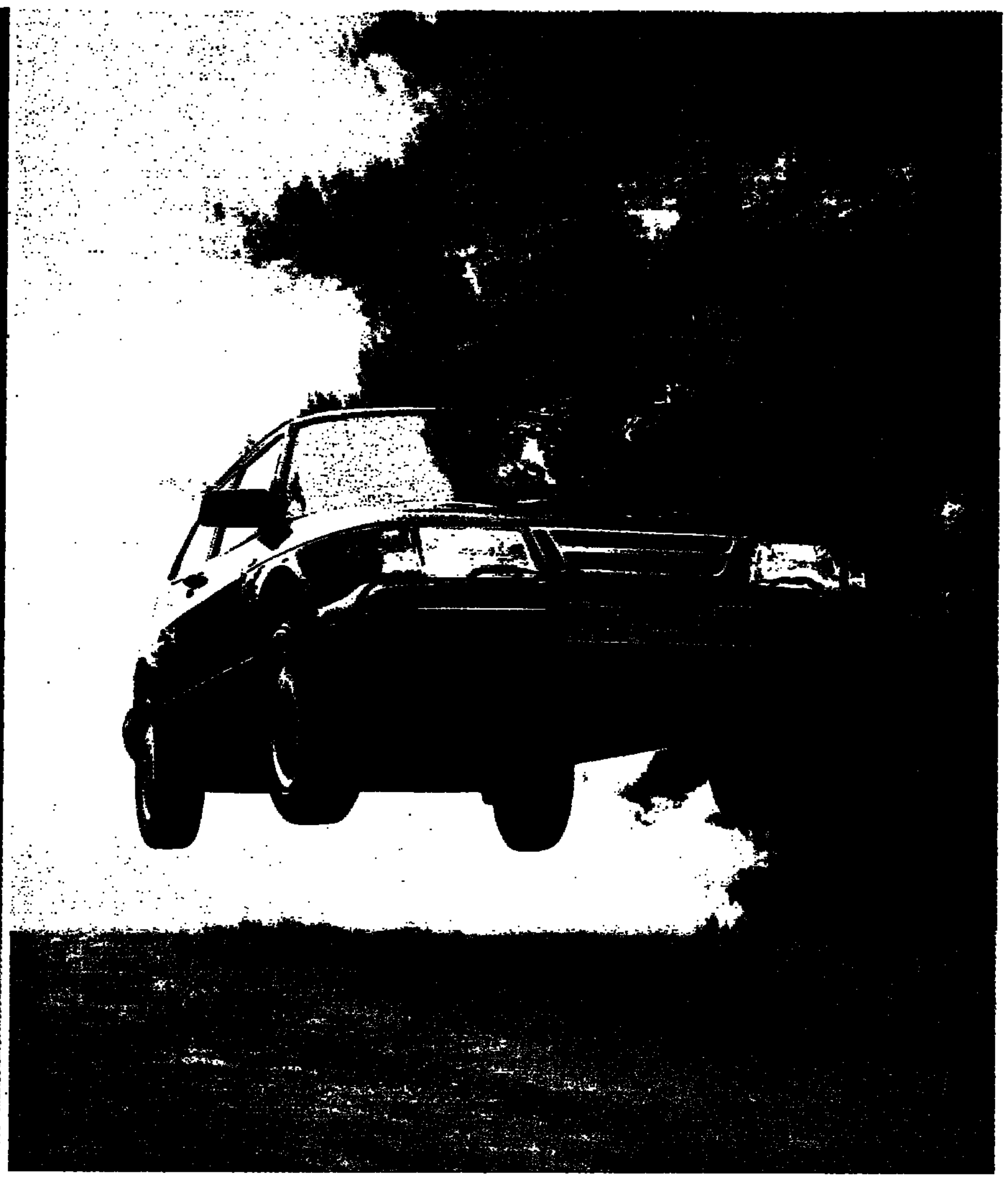
Voting was marked by heavy abstentions in an apparent protest against corruption in Venezuelan politics, electoral officials said.

A tribunal last Wednesday issued arrest orders against 10 top government officials from the administration of former President Jaime Lusinchi in a corruption case involving the disappearance of up to $8bn in state funds.

One of those charged, former Planning Minister Modesto Freites, won the AD governorship in central Guarico state, unofficial results showed.

Mr Freites surrendered to the police on Thursday and he denied charges of embezzlement of public funds. The whereabouts of the other former officials was not known.





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WORLD TRADE NEWS

SUMMIT PROPOSAL TO JOIN GATT

Soviet Union may soon obtain observer status

By **William Dullforce** in Geneva

THE Soviet Union could be granted observer status in the General Agreement on Tariffs and Trade at the next Gatt council meeting in February, if its diplomats act fast enough.

The proposal to give Moscow observer status was agreed at the Malta summit with the US at the weekend. But, even under the most optimistic estimate, the Soviet Union could not achieve full membership before the end of 1993 – and 1995 would be a safer bet.

First, there is no point in Moscow applying before the end of 1990, when Gatt is scheduled to complete its Uruguay Round. Gatt countries will not want to talk of Soviet membership while they are in the throes of their most ambitious trade-liberalising exercise.

Secondly, for an economy as large as that of the Soviet Union the process of negotiating membership will be lengthy. The compatibility of its economic and trade policies with Gatt free-trade principles would have to be assessed in great detail. Then Moscow would have to satisfy, in bilateral negotiations, all Gatt members with a significant interest in Soviet trade of the benefits they could expect to gain.

The results of these bilateral talks would be incorporated into the final protocol of accession for the Soviet Union. Mr Arthur Dunkel, Director General, recently remarked that the price of the entry ticket to Gatt for new members had been steadily rising.

China, with the political backing of the US, the European Community and Japan, had been negotiating its re-entry to Gatt for three years before the crushing of the student revolt in Tiananmen Square in June brought the process to an at least temporary halt.

Thirdly, while the US and the EC have now agreed to support observer status for the Soviet Union, they have not undertaken to back full membership.

THE EC yesterday reassured its partners in Gatt that its trade priorities had not been changed by developments in Eastern Europe, writes William Dullforce.

Its first priority was the multilateral trading system and the EC would not be distracted from working for the success of the trade-liberalising Uruguay Round, Mr Roderick Abbott, director responsible for Gatt affairs, told the annual meeting of Gatt's contracting parties.

Negotiators in Geneva have voiced concern about Brussels' apparently increasing disinterest in the Round. Doubts about the EC's attitude were particularly strong after it had curtly dismissed a US proposal for the reform of farm trade.

In 1986 Washington and Brussels opposed a Soviet request to participate in the Uruguay Round, partly because Moscow had indicated that participation could lead to an application for Gatt membership.

However, under an understanding reached in the last few weeks the granting of observer status to Moscow implies no commitment by either side over membership.

Another element in US and European opposition to Soviet membership had been fear of the influence Moscow might exercise within Gatt, even as a mere observer, over the four East European members of Gatt – Czechoslovakia, Hungary, Poland and Romania. This concern may be under reassessment in Western capitals after the recent political changes in Eastern Europe but fear of the impact that a Soviet Union with full membership might have on free-trading Gatt has not been entirely abandoned.

Now that they are assured of US and EC support for their observer status, Soviet trade officials have to ensure the backing of a wider number of Gatt members. The Gatt council acts by consensus.

Nato warship project holed but not sunk

David White on implications of the UK decision to drop out of the £12bn venture

THE ship is listing badly, close to the rocks, and almost half the crew has jumped off. But contrary to many expectations the Nato Frigate Replacement for the 1990s (NFR 90), the first big multinational project to produce a collaborative warship, is still afloat.

After years of studies involving eight Nato countries and dozens of industrial companies, the British Government took everyone by surprise at the end of September – not least the Royal Navy – by suddenly quitting the £12bn project.

The NFR 90 was then well into a two-year project definition phase, launched in January under a joint company based in Hamburg, Internationale Schiffs-Studien (ISS). The UK and its partners – the US, Canada, West Germany, France, Italy, the Netherlands and Spain – were planning a total of 59 ships, with a joint hull design but built in each country's own yards. About half the equipment was to be jointly procured.

The Ministry of Defence had pointed out a gap between the nine-year target set by the ISS partners and the 11 years it thought would be needed before the ship's key weapon system, for defence against attack by aircraft and missiles, would be ready. Britain, like the US, had already shown some hesitation about the venture but the MoD recommended pursuing the definition phase. It is reckoned this would have cost the UK about £6m, relatively little compared with its share of the overall programme, which would have been about £2.4bn.

However, Mrs Margaret Thatcher, the Prime Minister, took the Treasury's advice and overruled the MoD. The ministry held the announcement until the Royal Navy Equipment Exhibition in Portsmouth had closed.

France and Italy then abandoned ship as well. They were working on a weapon project, Family of Anti-Air Missile Systems (FAMS), in competition with a US-led programme, Nato Anti-Air Warfare System (NAAWS). Britain was talking to both camps. The UK's departure from NFR 90 removed from the joint ship programme the main support the French and Italians were hoping for. They are now still trying to get UK participation in FAMS.

Britain has to decide soon what to do. It has until the middle of this month if it wants to join NAAWS, broadly backed by the remaining NFR 90 partners. If it does not, it then has the option of joining FAMS by next April, or going for neither.

HMS Gloucester, one of the Type 42 destroyers which Britain is seeking to replace

British participation is vital to FAMS because the UK requires part of the range of missiles which neither France nor Italy wants for their navies. The UK wants a medium-range "local area" weapon to arm the replacement vessels for its 12 Type 42 destroyers, which carry Sea Dart surface-to-air missiles, at the beginning of the next century.

France and Italy have requirements for both shorter-range and longer-range naval weapons in the family. FAMS also includes a land-based variant, aimed at the multi-billion-dollar replacement market for the widely used US-developed HAWK (Homing All The Way Killer) missile. This FAMS variant would be a candidate to succeed the RAF's Bloodhound missile but the RAF has no funds for developing a Bloodhound replacement.

The question of the UK's missile choice has become a source of some evident French impatience. The French state-controlled companies Aérospatiale and Thomson-CSF are both involved, with Selenia of Italy, in FAMS. But Thomson-CSF has announced plans to merge its guided weapons business with British Aerospace's. The French authorities have indicated they will refuse to give the merger the go-ahead unless the British come on board with FAMS.

The UK also needs to decide soon on the ship to build instead of NFR 90 to take over the Type 42's air-defence role – and with whom, if anybody, to build it. Supporters of NFR 90 argued that collaboration would provide significant savings on development. However, senior Navy officials doubt whether the savings would have exceeded £50m, and say the NFR 90 as planned, at 5,500 tonnes full-load, was about 1,000 tonnes bigger than the UK needed.

British officials have been quietly trying to woo the Spanish, who have similar weapon requirements, away from the US-led group.

However, the "club of five" (the partners still in NFR 90) have agreed to provide enough money – DM10m (£3.6m) – to keep work going at least until the end of the year. The next main question mark hangs over the West Germans and whether they are willing to bear the cost of pursuing the programme with NAAWS. They could opt instead for an update of their US Sea Sparrow missile system, possibly with the Dutch. A West German decision is awaited imminently.

Pirelli in Soviet tyre plant deal

THE Pirelli Group yesterday joined the list of Italian companies which have agreed joint venture deals with the Soviet Union over the past week when it signed a letter of intent to set up a radial tyre production plant in the republic of Tataria, writes John Wyles in Rome.

Mr Leopoldo Pirelli, the group's president, and Mr Nikolai Vassilievich Lemaev, the Soviet Minister for Chemicals, endorsed a document which should see the creation next year of a joint company two-thirds Soviet-owned.

This will be responsible for producing 5m tyres a year at a plant at Nizhnekamsk which is already producing tyres under licence on Pirelli machinery. Eighty-five per cent of the joint venture's output will be destined for the Soviet market.

S Koreans hasten to reflag vessels

South Korean shipowners are rushing to reflag their vessels to avoid a US ban on Panama-registered ships entering American ports announced last week, writes Maggie Ford in Seoul. These include nine owned by Hyundai Merchant Marine, used for car exports. Most of the others are container ships.

A total of 39 South Korean vessels are affected and shipowners expect to benefit from a decision by Liberia to slash prices for registration.

$55m investment in Brazil pulp project

The International Finance Corporation, the World Bank's affiliate which channels funds to the private sector, is to invest $55m (£35m) in a $900m Brazilian pulp and paper venture, writes Peter Montagnon.

Its contribution will include a $15m equity stake in the project which will make it one of the largest equity holdings in the IFC portfolio.

Sponsored by Companhia Suzano de Papel e Celulose, Brazil's largest pulp and paper company, and the Companhia Vale do Rio Doce mining and minerals company, the project will eventually produce some 230,000 tonnes annually of pulp and a similar amount of printing and writing paper.

Japanese drugs groups plan back-up for European sales

By **Peter Marsh** in Düsseldorf

TOP COMPANIES in Japan's pharmaceutical industry are planning a new West European trade association as part of a drive to expand their business in the region.

Takeda, Sankyo and Shionogi – the three biggest Japanese drugs companies – are due to be among the founder members of the association which will probably be set up next year.

The group will advise Japanese drugs companies on how to develop strategies for selling more products in Europe, either using their own marketing forces or by joint ventures with European and US companies.

Another goal will be to help Japanese companies to organise clinical trials for new drugs in Europe to provide information about safety and effectiveness. This information is needed before government regulatory authorities can grant the necessary products licences.

Japan's drug industry – although extremely strong in its home market, which is the second biggest in the world after the US – has only a small presence in Europe.

But many observers think this will change as a result of the increased costs of developing new pharmaceuticals which is forcing Japan's drug makers to seek more outlets overseas.

Another factor is pressure by Tokyo to hold down domestic drug prices, making the Japanese market relatively less attractive for the large Japanese drug producers compared with other parts of the world.

Mr Junichi Ohtani, head of Shionogi's European office based in Düsseldorf, says that the planned completion of the European Community market after 1992 was another reason why the Japanese pharmaceutical industry was looking more closely at Europe.

Several other Japanese drugs groups may decide to join the association.

UK team explores potential to strengthen Argentine links

By **Gary Mead** in Buenos Aires

THE largest British trade delegation to have visited Argentina left the country at the weekend after a week of meetings with government officials, including President Carlos Menem.

The 57 members of the Latin American Trade Advisory Group mission visited Cordoba, Mendoza and Rosario as well as Buenos Aires. It was sponsored by the British Department of Trade and Industry. Lord David Montgomery, head of the mission, described the exploratory visit as a success.

While no deals were tied up during the visit, a number of potential areas for British involvement were touched on.

Cable and Wireless is believed to be interested in plans to privatise ENTel, the nationally-owned telecommunications network. Representatives of the Crown Agents held eight meetings with different government representatives who expressed interest in using the Crown Agents in areas such as fisheries, ports, health and energy.

The visit is part of a general improvement in Anglo-Argentine relations and is seen as paving the way to a return to full diplomatic relations at the Madrid talks scheduled for February 1990. Trade restrictions against Britain were lifted by the Menem administration in August.

Before the 1982 Falklands conflict Argentina was Britain's largest trading partner in Latin America. Lord Montgomery said that he saw no reason why bilateral trade should not exceed $1bn (£641m) in four years from now.

According to Argentine government figures, Argentina imported just over $1m worth of goods from Britain last year and exported $85m. In 1988 Argentina provided less than 1 per cent of Britain's imports, in comparison with Brazil which provided 1.7 per cent.

Heseltine advocates European Senate

By Ralph Atkins

A SECOND TIER of the European parliament made up of representatives of member countries' parliaments was proposed last night by Mr Michael Heseltine, former defence secretary and likely future candidate for the Conservative Party leadership.

The European "Senate" would be based on the US Senate and intended to reconcile conflicts of interest between national parliaments and institutions of the European Community.

In a speech to the Institute of Chartered Accountants on the eve of the Conservative party leadership contest, Mr Heseltine sought to boost his pro-European standing. Although not a candidate this time, he is widely expected to make a leadership bid when Mrs Margaret Thatcher decides to stand down. Mr Heseltine resigned as Defence Secretary over the 1986 Westland row, during which he championed a European-led rescue package for the ailing helicopter company.

(Sir Anthony Meyer is the sole candidate standing against Mrs Margaret Thatcher, the Prime Minister, in the first leadership election within the Conservative Party since she took the party helm in 1975. Only MPs vote in today's secret leadership ballot.)

Mr Heseltine suggested that a European parliament could have seats allocated in proportion to votes on the council of ministers. In a 152-member chamber, Britain, West Germany, France and Italy would have 20 members. Spain would have 16 and Belgium and Greece, 10 each.

In the UK, members would be selected by a similar process to members of House of Commons select committees – where the Government has a small majority.

Mr Heseltine said: "European parliaments would not only become the concern of Westminster, but would also in consequence begin to attract, through the media, a wider public awareness.

"The influence and role of the national Parliaments would be enhanced since the majority agreement of the Senate would be necessary before any European legislation could take effect."

Mr Heseltine sought a greater role for Western Europe in general. On the weekend Malta summit, he said it was not enough for Europe simply to be debriefed by US President George Bush.

"Would it be too much to ask that Britain should take the lead in seeking European representation at the next summit in June?" he asked.

He identified the "gradual" reunification of the Germanies and the role Nato and Warsaw pact military alliances as one of the challenges facing Europe. But pressures would remain for still greater cooperation within the European Community.

"Simple economics will continue to drive the national self-interest of the western economies towards making the European Community even more successful," he said.

Britain must play a "leading part" in the completion of European economic and monetary programmes, he urged. Without a strong UK involvement, the "inevitable compromises" would be less likely to lead to a freer market and more open trade.

He added: "Our absence from a community of fixed parities, of free convertibility and eventually of a single currency would be detrimental to Britain's economy, and especially to the predominant position of the City of London."

Power contracts will avert big coal job cuts

By Maurice Samuelson

THE PROSPECT of a large and immediate wave of redundancies in the coal industry has been averted as a result of the contracts which British Coal yesterday announced with electricity industry.

The contracts, called "interim" by British Coal, cover three years' coal deliveries to National Power and PowerGen, the successor generating companies to the Central Electricity Generating Board.

They will also help to keep the electricity privatisation programme on course by enabling the generating companies to finalise their bulk power contracts with the 12 distribution companies of England and Wales.

In return for a continued freeze on its prices, British Coal will suffer only a marginal reduction in the volume of its power station business and hopes that next year it will be able to convert the initial agreement into longer term contracts.

Sir Robert Haslam, British Coal chairman, said the contracts showed recent forecasts of a massive new contraction of his industry had been "seriously overstated" and were "a firm rebuff for the Jeremiahs and their gloomy forecasts." British Coal had become "the supplier of choice" to the electricity industry.

In Parliament, Mr John Wakeham, Energy Secretary, said the contracts were a result of British Coal's "remarkable performance" in raising productivity and squeezing costs over the past five years. But the improvement would have to continue if it were to maintain its business in the longer term.

Mr Wakeham was speaking in a debate on the Coal Industry Bill under which the Government plans to wipe out British Coal's £5bn worth of debts and simultaneously expand opportunities for small independent mining businesses.

Mr Malcolm Edwards, British Coal's commercial directors, said in London that the coal contracts gave the electricity producers "the greatest conceivable security for 50 per cent of the costs of generation." That alone could help electricity prices to fall in real terms rather than rise as everyone had forecast.

Former MTM chief loses TVS stake compensation

By Raymond Snoddy

MR Arthur Price, former president and chief executive of MTM, the loss-making American television production company, is to give up without compensation rights to his 10 per cent stake in TVS Entertainment of the UK – a stake worth more than £11m at current prices.

The deal comes as part of a bizarre settlement package – said to be unique in the UK, though not so unusual in the US – between TVS and Mr Price, who resigned as head of MTM on October 27.

TVS acquired MTM in July last year but admitted in September that the American company was performing much worse than expected.

Under the deal TVS can choose a buyer for Mr Price's stake and virtually all the proceeds will be paid to TVS.

In a reversal of normal business practice for departing top executives, the agreement published yesterday concentrated almost entirely on what Mr Price is not going to get.

One of the team behind hit television programmes such as Lou Grant and Hill Street Blues, he will not receive:

- Any compensation for the early ending of a six year contract worth an estimated $800,000 a year.
- Any right to a share of deferred purchase payment of $15m linked to company performance.
- Any effective benefit from more than 6m TVS shares that were part of the £190.5m purchase price of MTM in July 1988.

However, as part of the agreement Mr Price will be released from restrictions preventing him from setting up in opposition to MTM.

But he will be prevented from poaching MTM staff until 1991.

Despite picking up no compensation under yesterday's agreement, Mr Price will not be a poor man, since he got $104m in cash as part of the TVS purchase price.

The main problem at MTM has been a the plunge in the US programme syndication market – the selling of former network shows to local TV stations, a key part of the MTM business.

Mr James Gatward, chief executive of TVS, warned in September that because of losses at MTM full year pre-tax profits for TVS would be below the first half figure of £13.4m. The final figure is likely to be between £10m and £13m although MTM loses for the year to October are at $16m-$20m, considerably lower than earlier believed.

Mr Gatward denied yesterday that Mr Price had been threatened with legal action in order to sign the unusual agreement.

"We did have full and frank discussions in a closed room with no witnesses," said Mr Gatward.

"I believe he recognised the part he had played in the lack of performance at MTM this year," the TVS chief executive added.

"In July Arthur Price maintained under questioning by the group board that the year end figures would be met," Mr Gatward said yesterday.

The following month Mr Gatward found out there was no chance of targets being met.

"I don't believe that Arthur Price was lying. The question then arises what was happening?" Mr Gatward asked.

The TVS chief executive conceded that the programme syndication market had indeed gone soft but there had also been "a management failure that has now been put right." (The changes have included the departure of the syndication manager and the closure of several departments to reduce costs.

Mr Price, who is travelling in the Carribbean, could not be contacted for comment last night.

Student loan scheme 'would deter those from lower incomes'

By Jimmy Burns

THE Government's proposed student loan scheme will have a particularly strong deterrent effect on young people from lower income groups wishing to enter higher education, according to a survey published yesterday by the National Union of Students.

The survey suggests that 16.2 per cent of all fifth and sixth form pupils intending to go to a university, polytechnic or college would not do so if the scheme went ahead. The proportion among those from the poorer social classes was 23.6 per cent.

The proportion of women who would be affected by the proposals is far higher than for men – 78 per cent compared with 62 per cent – although there is little difference between the percentage of men and women saying they definitely would not go on to higher education.

Student loans are to be phased in from next September when undergraduates will be able to top up their present means-tested government grants by borrowing £420 from most of the main commercial banks.

The NUS is campaigning against the scheme and has threatened a student union boycott of participating banks.

The survey – conducted among 805 students in May and June – found that 74 per cent of students felt the present grant system of student support was more acceptable than the proposed loans scheme.

If loans were introduced, 22.3 per cent of students from the two top socio-economic groups said they would easily get money from their parents.

The Department of Education said yesterday it was "unrealistic" to suppose that the alternative to a loan was a bigger grant. It said the loans would provide students with more resources "on affordable terms."

The NUS said that the survey showed not only that the scheme was unpopular but also that it was having a marked effect on students' decisions and intentions.

The NUS said: "To achieve the kinds of participation rates envisaged by the Government and needed by the economy, this country needs to provide an equitable system of student financial support. The proposed loans system does not do so."

In Brief

Ex-Glaxo man in job talks

The former chief executive of Glaxo Bernard Taylor is set to become executive chairman of Medirace, a small but fast-growing drugs company.

Taylor, 54, was ousted in May from Glaxo, Britain's biggest medicines company when his job was given to Ernest Mario, an American executive who had been in charge of the company's US operations. Medirace's managing director Mr Ian Gowrie-Smith said his company had discussed the job with Mr Taylor.

European launch

Newspaper publisher Mr Robert Maxwell said his long-delayed newspaper The European will be launched next May. The broadsheet English language newspaper will be printed in Britain, Germany and Hungary and will cost 50p.

Action on poverty

Church leaders of all denominations under the umbrella of Church Action on Poverty called for urgent action to address the problem of poverty in Britain, criticising policies on unemployment, housing, health and the poll tax.

Motorway study

The European Commission yesterday agreed to put £134,000 towards a $400,000 feasibility study for a £1bn, 200-mile extension of the M11 northwards from Cambridge over the Humber Bridge to Newcastle upon Tyne. The study will consider whether the road should be built by the public or private sectors or a combination of both.

Banking on nurseries

The only British employer experimenting in large-scale provision of workplace nurseries said yesterday that it expected a net saving of between £4m and £5m a year through its investment in up to 300 nurseries. Midland Bank has so far set up seven nurseries to persuade women staff to return to work after having children.

Bruges group urges UK refusal of EMS

By Martin Wolf

REFUSING to join the European Monetary System would be the best contribution the British government could make to real European integration says Professor Pascal Salin of the University of Paris-Dauphine in his contribution to a collection of essays on European Monetary Union published today by the Bruges Group*.

The present EMS arrangement is, Professor Salin argues, one of the worst solution to the European monetary problem. "A valid programme for monetary integration is a 'common market for currencies'. The principle of mutual recognition should be accepted for currencies as well."

Professor Roland Vaubel of the University of Mannheim, argues that a European monetary monopoly would "be more inflationary than the current EMS." Instead, the Ecu might be "exclusively issued in exchange for national member currencies". This approach is endorsed by the other authors, Professor Salin, Professor Antonio Martino of the University of Rome and Professor Francisco Cabrillo of the Universitad Complutense of Madrid.

Professor Vaubel warns that suppressing competition, is not to invite progress but decline. Against this, Mr Tim Congdon of Gerard and National, notes in the introduction that if exchange controls were abolished, "Europeans will be even more free to hold dollars and yen than they are today, and mismanagement of the European currency will be punished at least as severely in the foreign exchanges".

Roland Vaubel, Francisco Cabrillo, Antonio Martino and Pascal Salin, with an introduction by Tim Congdon, A Citizen's Charter for European Monetary Union, Occasional Paper 5, The Bruges Group, 85-87 Jermyn Street, London SW1Y 6JD, United Kingdom.

Guildford Four Inquiry to offer witnesses immunity

By Robert Rice, Legal Correspondent

EVIDENCE given by witnesses to the Guildford Four Inquiry will not be used against them in any subsequent criminal proceedings, Sir John May, the inquiry chairman said yesterday in London.

Sir John, a former Court of Appeal judge, said Sir Patrick Mayhew QC, the Attorney General, had given this undertaking to ensure that the inquiry into the wrongful conviction of three Irishmen and one English woman for the 1974 Guildford and Woolwich pub bombings received the fullest possible information from all concerned.

Sir Patrick's statement said: "That neither the evidence of any witness who appears before the inquiry or any statement made by such a witness or by a potential witness to the Treasury Solicitor for the purpose of the inquiry, shall be used against him in any subsequent criminal proceedings."

At a preliminary hearing at Church House, Westminster, to set the ground rules for the inquiry, Sir John made it clear that it was not a retrial of the case but "an investigation in the widest possible sense into the circumstances of the convictions".

"The effect of the quashing of the convictions of those found guilty in 1975 of the Guildford and Woolwich bombings is the same as if they had been acquitted by the jury in 1975. Those convictions cannot be restored and for all purposes those defendants are to be treated as if they had walked free at that time," he said.

Mr Patrick Armstrong, Mr Gerard Conlon, Mr Paul Hill and Ms Carole Richardson received life sentences at the Old Bailey Court in London, in October 1975 for the bombings of the Horse and Groom and Seven Stars pubs in Guildford in which five people died and more than 50 were injured, and the King's Arms in Woolwich in which two people died and 27 were injured. The pubs were frequently used by Army personnel. Their convictions were overturned by the Court of Appeal on October 20 1989.

Sir John said the inquiry would also investigate the convictions of the Maguire Seven, who were convicted on charges of bombmaking after being implicated by confessions in the Guildford case.

"Their convictions stand, and so if I were to come to the conclusion that their convictions are open to doubt it will be part of my function to say so," Sir John said.

The public hearing into the convictions would not take place until after the criminal investigations being carried out by the police were completed.

In the meantime, the inquiry would consider the legal machinery involved in such cases, including the appeal system and the Home Secretary's powers to refer cases back to the Court of Appeal.

The hearing was adjourned after 45 minutes to a date to be fixed.

After the hearing, Mr Hill's solicitor, Mr Michael Fisher, dismissed Sir John's offer of limited immunity for witnesses as "ineffectual" and said the inquiry was unlikely to get at the truth unless junior police officers felt free to reveal what really happened.

Reserves fall hints at less Bank intervention

By Patrick Harverson, Economics Staff

BRITAIN's gold and foreign currency reserves fell $931m in November, an indication that the Bank of England intervened less to support the pound last month than in October, when reserves fell a record $2.9bn.

The decline in underlying reserves to $38.5bn announced by the Treasury yesterday was smaller than expectations. The average analysts' forecast had been for a decline of $1.5bn. The figures led to speculation that Mr John Major, the Chancellor of the Exchequer, may be taking a more benign approach to sterling's devaluation than his predecessor, Mr Nigel Lawson.

During November, the pound fell 4 per cent on the Bank of England's trade weighted index and nearly 6 per cent against the D-Mark. In that period Mr Major declined to raise bank base rates to bolster the currency, and intervention by the Bank throughout the month was reported to be relatively light.

Sterling has been under pressure on the currency markets in the past month because of domestic political upheavals, concern about Britain's economic outlook and growing doubts over the Government's willingness to raise interest rates to stabilise the currency.

Some analysts will see yesterday's figures as further proof that Mr Major has adopted the policy favoured by the Prime Minister, and Sir Alan Walters, her former personal economic adviser, of letting the pound find its own market level.

The Government appears to regard the current level of 15 per cent interest rates as sufficient to cool down the economy without risking recession. Bank of England intervention is used to smooth sterling's path on the currency markets, rather than to halt its decline.

November's reserves figures do not necessarily reveal the full extent of intervention during the month. The Bank spreads the load of its operations in support of the pound between the spot and forward markets.

New credit rise below monthly average

By Patrick Harverson

THE AMOUNT of new credit granted to British consumers rose in October, but the rise was well below the monthly average for the year, indicating that borrowing continues to be restrained by high interest rates.

The Central Statistical Office said yesterday that the amount of credit outstanding with finance houses, building societies (savings and home loan institutions) and on bank credit cards, rose by £174m in October, compared to a revised increase of £74m in the previous month. New credit has been rising at an average of £256m a month this year.

At the same time, the CSO announced an upward revision to the October retail sales figures. The volume of sales in that month was 0.4 per cent lower compared to September. The CSO had originally estimated a 0.7 per cent fall in sales. The figures confirmed that consumer spending growth is continuing to decelerate at a steady rate. Between August and October sales volume was 0.25 per cent lower than in the previous three monthly period and only 1.5 per cent higher than the same period a year ago. This represents a marked slowdown from the 6.5 per cent annual growth in retail sales during 1988.

More up to date evidence of the state of high street spending will be available on Thursday, when the November Confederation of British Industry/Financial Times Distributive Trades Survey is published. It is expected to report depressed sales and expectations from Britain's retailers and wholesalers.

The figures for new credit business should provide comfort for the Government, which hopes that the slower pace of borrowing growth will dampen domestic demand and ease inflationary pressures in the economy.

However, a rise in credit card borrowing of £136m indicated that some consumers were still taking on more debts in October despite high interest costs. Part of this increase could have reflected "distress borrowing," when people borrow more just to cover existing loan repayments.

The CSO said the revised level of the index of retail sales volume was 121.8 (1985 100), compared with 122.3 in September.

Pessimism on building output fall

By Andrew Taylor, Construction Correspondent

THE fall in UK construction output forecast for next year is likely to be greater than expected, according to one of the industry's main forecasting bodies.

The National Council of Building Material Producers' latest forecast was published yesterday as the Department of Environment revealed that the number of homes started by builders fell by 29 per cent in August, September and October against the same period last year.

The council forecast that UK construction output would fall next year by 3.5 per cent; it had forecast output would decline by only 1 per cent.

The council said the outlook for private development had worsened since July when it published its last forecast. Bank base rates had since risen to 15 per cent.

Construction output has risen every year since 1981, including this year when output is likely to have risen by about 3.5 per cent, says the council.

It also downgraded its forecast of the recovery it expects in 1991, saying output would rise by 2.5 per cent in 1991 against the 4 per cent rise it forecast in July.

The council said the downturn in private sector office and retail orders appeared to be happening faster than anticipated due to the base rates rise.

The value of private sector housing output was forecast to fall by 18.5 per cent this year to £4.32bn and by 9.5 per cent next year.

Motor trade deficit hits record high

By Kevin Done, Motor Industry Correspondent

THE UK motor industry trade deficit rose 15.4 per cent to a record £5.37bn in the first nine months of the year.

The deficit in cars at £4.07bn remains the biggest single factor behind the increasing imbalance, but the industry also faces mounting deficits on commercial vehicles and components.

Figures from the Society of Motor Manufacturers and Traders show that the value of car imports climbed 14.5 per cent to £5.79bn in the first nine months. Imports accounted for 57.1 per cent of UK new car registrations in the first 10 months.

The increasing volume of car exports by Nissan of Japan from its Sunderland assembly plant and by Peugeot of France from its Ryton, Coventry plant, helped to raise the value of car exports by 29 per cent to £1.72bn.

The main impact on the motor industry trade balance from the build-up of Japanese vehicle production in the UK will not be felt before well into the first half of the 1990s, when output begins to grow from the assembly plants being built by Honda and Toyota.

The deficit on automotive components trade jumped to £928m in the first nine months from £730m a year ago. The deficit on commercial vehicles trade increased to £735m from £589m.

National Grid group in talks with electricity generators

By Maurice Samuelson

ABOUT 30 independent generating companies hoping to compete in the privatised electricity market are being consulted over the future of power supply by the National Grid Company, which will operate the main transmission system after the break-up of the Central Electricity Generating Board.

Mr David Jefferies, chairman-designate of NGC, said yesterday the 30 independents and the established generators were being canvassed about an overview of the prospects for electricity supply which NGC proposes to publish in the form of a seven year "statement."

The statement, to be produced annually, would indicate the pattern of future power flows and the best opportunities for adding new generating capacity to the system.

In a lecture to the Institute for Energy in London, Mr Jefferies seemed anxious to reassure PowerGen and National Power – the successor generating companies to the CEGB – and the area boards that NGC would not throw its weight about after privatisation.

He said NGC would not expect them to disclose commercially confidential information about their businesses. The seven-year forecast would be "only a statement" and not a development plan, like the five-year medium term programmes used by the publicly owned industry as the basis for new capacity construction.

Nevertheless, the seven-year statement would be "a very powerful document," which NGC would use to facilitate competition, one of the conditions of its licence.

An outline version of the statement has been circulated to the area boards, National Power, PowerGen and 30 independent generators, the Department of Energy and Professor Stephen Littlechild, the director general of electricity supply.

Once the regulator had agreed the form of the statement, NGC would undertake the necessary analysis for the next seven years so that a full version could be ready for publication next spring.

NGC will be owned by a holding company representing the 12 area distribution boards of England and Wales, but will operate independently.

Sharply slower growth forecast

By Terry Byland

THE RATE of economic growth in the UK is likely to slow sharply as it moves into the next decade, say three research organisations in their latest outlook for the economy.

Oxford Economic Forecasting says in its Industry Forecast that a recession will be avoided, with manufacturing industries benefiting from a lower pound and the replacement of older capital equipment as industry gears up for 1992.

Both Oxford Forecasting and Cambridge Econometrics expect overall growth in gross domestic product to fall next year, to 1.7 per cent and 1.5 per cent respectively. Both see the blows falling most heavily on consumer service industries and predict GDP growth will recover in the next decade.

The Institute for Employment Research at Warwick University agrees with the other groups on growth, but says employment will be boosted by a rapid rise in business and services jobs. It expects 2.2m jobs to be created by the end of the century.

Oxford Forecasting pins its optimism about avoiding a recession on three factors. Like Cambridge Econometrics, it expects Britain's problems to be eased by a buoyant world economy.

It also believes that export sales will benefit from a weak exchange rate – a 4 per cent depreciation in sterling in the medium term is projected. It expects a "reasonably strong profitability-productivity" showing from UK industry early in the 1990s.

The Oxford team warns of hard times for the services sector but, along with Cambridge Econometrics, it stresses that the downturn in service industries will be of varying intensity. While construction is expected to turn down from 5.4 per cent growth this year into a decline of 1.3 per cent in 1990, "moderate growth" is predicted for transport and communications, and financial and business services.

The Institute for Employment Research argues that wage growth, prompted by price inflation and improved productivity, will counterbalance slower economic growth in the 1990s. It says real income growth will keep consumer expenditure strong.

THe Institute believes that the trade deficit will peak as the decade turns.

TECHNOLOGY

Robert Taylor examines industry's growing use of automated manipulative machines

Robots that turn into colleagues

The use of robots in the manufacturing industry has turned out to be less widespread than many observers expected 10 years ago. But robot-makers forecast a rise in demand during the early 1990s.

Asea Brown Boveri, the Swiss-Swedish power engineering conglomerate, is confident that its robotics business will expand rapidly over the next three years. "We are investing $100m in capacity and technical resources to increase the industry's competitive strength in time for the creation of the EC's internal market in 1992," declares Stelio Demark, president of ABB Robotics at Vasteras in central Sweden.

Up to 17,000 ABB robots are at work across the world. The company started building its first robot in 1973 under the influence of Swedish industrialist Curt Nicolin. He became a robot enthusiast after a visit to the US, where robotic technology was pioneered.

Robotic manufacturers have found it difficult to agree on a definition for their product, but the International Federation of Robotics has come up with a definition that is widely used. An industrial robot is "an automatically controlled, reprogrammable, multi-purpose, manipulative machine with several degrees of freedom which may be either fixed in place or mobile in use in industrial automation applications."

John O'Hara, president of the International Federation of Robotics and executive vice-president for ABB at its American head office in Connecticut, believes the outlook is bright for robot sales, despite signs of a downturn in US industrial activity this autumn. "If the US is to remain a strong industrial power, it will have to improve its industrial efficiency and productivity. Robots will have a key role to play," he asserts.

The United Nations Economic Commission for Europe has estimated that there were around 280,000 robots in productive use around the world at the end of last year. This may look small but it represents a 22 per cent increase on 1987.

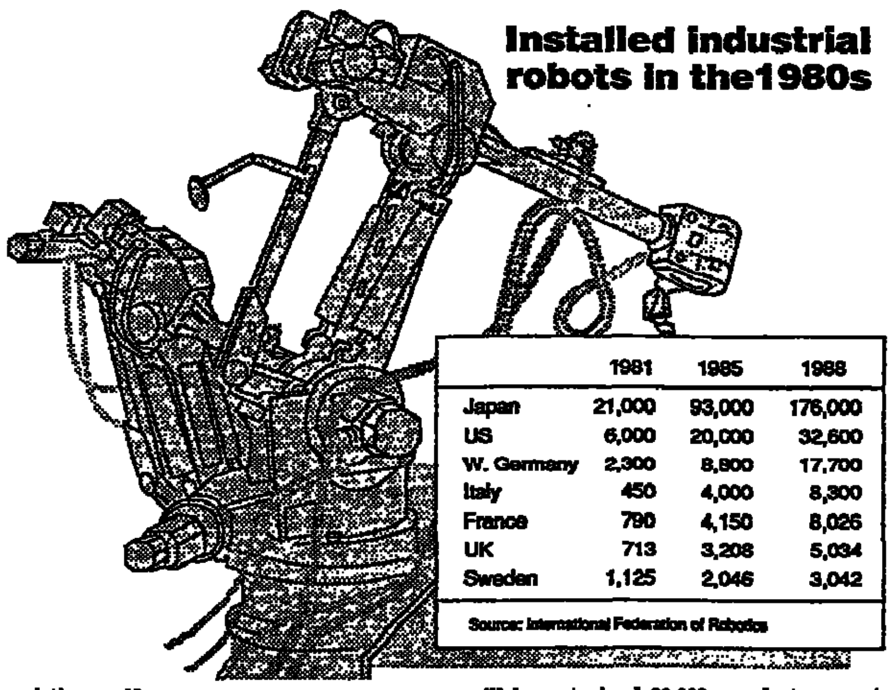
Two thirds of the world's industrial robots are in Japan; Sweden has almost as many when measured in proportion. Nevertheless, during the 1980s the trend in robotic activity was uneven. In the US – mainly due to managerial disillusionment at General Motors in the early 1980s with the performance of their robots – there was a decline in the growth of robot stocks after 1985 with a fall in a growth rate of 25 per cent to only 12 per cent last year.

There was a similar setback in the demand for industrial robots in West Germany, where the 1984 growth rate of 40.9 per cent dropped to 18.8 per cent four years later. No similar falling off in interest can be detected in Japan, however, which has expanded robot use by nearly a quarter for each of the past three years.

Sceptics feel that much of the potential for robotics in industry has already been realised. They argue that significant improvements in the technological skills of robots are required to improve their price/performance ratios and make it sensible for manufacturers to invest in them. It is estimated that it takes between two to three years for robots to recoup their installation costs.

The International Federation of Robotics questions such pessimism. Over the next three years O'Hara believes there will be a marked improvement in industrial demand for robots. In part, this will come from a new rationalisation in the automotive industry's production system, even if there is a fall in overall volume production. But it also derives from a conviction that robots will begin to gain popularity in industries other than car components and construction.

O'Hara points to their application in sectors like security at nuclear power plants, mine and bomb search, the drilling and inspection of oil rigs at sea and in the American space programme. "I believe that by the end of the next decade we will also see robots in use in many service areas like hospitals, fast food restaurants and commercial cleaning operations," he says. He visualises robots helping in the care of the elderly and the sick, particularly as shortages of labour and the growing number of pensioners put a strain on existing welfare resources.



Installed industrial robots in the1980s

	1981	1985	1988
Japan	21,000	93,000	176,000
US	6,000	20,000	32,600
W. Germany	2,300	8,800	17,700
Italy	450	4,000	8,300
France	790	4,150	8,026
UK	713	3,208	5,034
Sweden	1,125	2,046	3,042

Source: International Federation of Robotics

O'Hara and Demark are convinced that a growing number of companies recognise the potential of robotic technology. But both concede that during the early years of robot activity too many employers made a mistake in thinking that the robots, alone and unaided, could solve their production problems. "At that time robots were not seen as an integrated part of the industrial process," admits Demark. "Too much was expected of them. They were introduced too quickly without the necessary infrastructure around them to maximise their potential."

Robot manufacturers stress the importance of training workers in the skills necessary to operate robots effectively. By the end of the century ABB estimates that it will have trained 90,000 people to operate robotic technology. Computer software is also an integral part of the robotic packages. ABB, which remains the world's leading robots manufacturer with 30 per cent of the European market, has built up a network of robot service automation centres in 20 countries. At least 10 per cent of the annual turnover from the robotics business is being ploughed back into research and development.

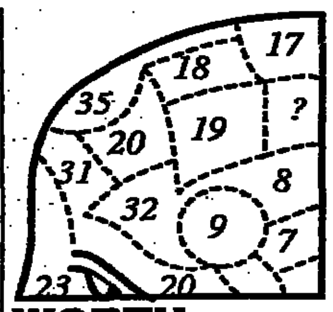
To a large extent, robots are still concentrated in auto production, where employers find it hard to recruit and retain humans to perform dirty, repetitive tasks that need pin-point accuracy, such as arc and spot welding, gluing and sealing. There is also considerable potential for robotics in spray-painting, coating and finishing car bodies.

ABB has been developing and refining robots to deal with the handling and loading of heavy materials. Next year as many as 57 per cent of robots in use in the US will be working in the auto companies and their component suppliers. In Japan robots are even being used in assembly work.

O'Hara regards robots as part of the long-term answer to productivity problems in the manufacturing industry, especially in the US. "Americans know they must improve the quality of their manufactured goods and they also realise they need to be globally competitive but they don't understand how they can achieve this," he argues. "Automation is just one of the cures with robots as an element in the prescription."

Probably the biggest attraction of robots is that they can replace humans in areas of production where working conditions are monotonous, strenuous or dangerous. Increasing worker absenteeism and labour turnover provide a powerful argument for the introduction of robots into the Swedish auto industry, for example, particularly in the welding and painting areas of production. But the "revolt" on the shop-floor is bound to increase the pressure on employers to innovate with greater use of technology-based production systems. "Robots will do the unpopular or unhealthy jobs skilfully and without protest," notes Demark. "Workers are saved wear and tear on their bodies while management has far less problems with production delays."

This does not mean that robots are a substitute for humans. O'Hara believes the co-operation of workers in robotic production is extremely important. "It is worth remembering that the two countries that make the greatest use of robots – Japan and Sweden – are those with some of the lowest unemployment rates in the world," says Demark. Robots look like they will be a necessary assistance, not an alternative, to humans in the flexible manufacturing systems of the future.



WORTH WATCHING

Edited by Della Bradshaw

Relief from hot temperatures

PEOPLE who own greenhouses, or even those who dislike hot weather, could benefit from developments to regulate the heat that passes through windows.

Researchers at the University of Bordeaux 1 in France and the Research Institute of Construction Physics in Moscow have, separately, devised ways of taking the heat out of the situation.

The Bordeaux development is for a window which sandwiches a tungsten oxide material between two layers of conducting polymer. The material allows visible light to pass through, while the polymer abstracts most of the heat generating infra-red rays.

The Moscow development, intended for greenhouses, similarly relies on a polymer sandwich, but contains a material which changes in thickness with the external temperature.

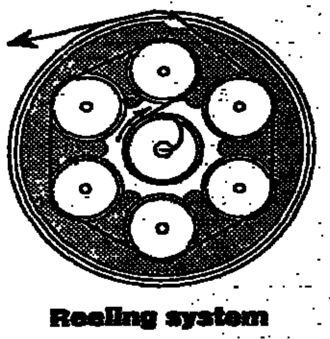
Solar radiation makes the material thin and translucent during the day, allowing through the visible light while absorbing the infra-red and ultraviolet rays — ensuring that plants do not overheat. The solar heat is stored in batteries during the day and released at night to keep the plants snug.

Cables send the signal reeling

SENDING an electric signal along a cable while reeling and unreeling it from a winch is difficult enough, writes Mike Witt.

But when data is being sent along the cable, the traditional methods — such as using two copper rings, one rotating and one static, to transmit the signal — can cause blips and corrupt the information.

To solve the problem, Frazer-Nash Defence Systems has devised a simple mechanical cable winder which allows a fixed live connection at the end of the cable, even as it is being wound on a drum.



Reeling system

As well as for defence applications — towing sonar behind a ship, for example — the system could be used for telecommunications cables or even for winding and unwinding fire hoses.

The device comprises an outer drum round which the cable is wound. Inside this drum are several internal planetary drums, which also take the cable before it is fixed to a centrally-located stationary inner drum. From there the cable runs to, say, the computer processing centre so the data can be analysed.

Graphics to save the environment

A UK university computer project to help promote sound land use policies for the next century could help prevent further damage to the environment.

Under development at Newcastle University, the land use strategy programme will predict the effect of a series of actions on the environment — what would happen to the surroundings of an agricultural area, for example, if it were turned into a housing estate.

The system is based on a geographical information system, with the computer software simulating the consequences of the actions using colour graphics.

To enable it to do that, the computer is programmed with all the relevant data on, for instance, the amount of pesticides in the groundwater or the local population of toads.

The project, funded by the Natural Environment Research and Economic and Social Research Councils, will focus initially on the river catchment areas of the Tyne and Great Ouse.

A similar system, but relating to urban areas, has been developed by Leeds University.

Car batteries that won't give up

ANYONE who has inadvertently left car headlights on overnight, only to awake to a flat battery the next morning, will realise the potential of a new battery which, the manufacturers claim, will not go flat.

Although battery manufacturers have been developing such units for some time, Johnson Controls, in Milwaukee, has announced that it has already begun manufacture.

The Everstart battery has two power units — a main battery and a less powerful back-up one — in a single case. If the main battery goes flat, the car owner flicks a switch on the top of the device to tap the back-up power.

The problem for Europeans and Americans is that the battery will not be available until March, when most of the long dark nights will be over.

Fresh bread sent down the line

HOPING for a bigger slice of the action in the Christmas bread rush, the UK supermarket chain Tesco has used its loaf and introduced a computerised ordering system for bread.

Hand-held computers are used in the stores to feed in information about the stock of, say, wholemeal or white sliced bread on the shelves. That data is sent along Tesco's private network to its head office computer, where it is processed by software from the FI Group. From there orders are sent electronically to the bakers.

Contacts: University of Bordeaux 1: France, 56 44 00 45. Frazer-Nash: UK, 0372 379717. Newcastle University: UK, 091 222 6000. Johnson Controls: US, 414 228 2088. FI Group: UK, 021 711 4242.

MANAGEMENT: The Growing Business

Seed capital

EC tries to plug the gap for early stagers

By Charles Batchelor

The European Commission has launched an ambitious scheme* to increase the availability of seed capital for entrepreneurs. It is backing 24 new seed capital funds to overcome a severe shortage of very early stage and start-up funding.

The commission will provide Ecu 12.5m (£9m) to help the new funds meet their day-to-day running costs and, in the less developed "assisted areas," to meet part of their capital needs. The funds will be run by managers with experience in helping small firms and in venture capital.

"We noticed that existing venture capital groups were withdrawing from the seed capital area," Alan Mayhew, head of the commission's Enterprise Directorate, told the managers of the new funds at a seminar in Brussels last week.

The problem with seed capital, which is used to help an entrepreneur develop a prototype or prepare a business plan, is that its provision is very time-consuming for the venture capitalist. The amounts of finance needed are usually quite small and, while the rewards of success can be high, the cost of assessing and monitoring a large number of small investments makes them unattractive.

A seed capital investment typically requires the fund's executives to assess the technology involved in the project, to call on the views of outside experts and to arrange licensing deals and patent protection.

"The proliferation of new technologies and the shortening of product life-cycles have increased the risks of seed capital investments," commented Jos Peeters, president of the European Venture Capital Association. Seed capital investments accounted for just Ecu 9.2m in 1988 or 0.3 per cent of European venture capital spending.

The commission hopes its funds will lead directly to an increase in the finance available and encourage the setting up of other funds. It is backing three funds each in West Germany, Spain, Italy and Britain, two each in the Netherlands, Belgium and France, and one each in the Irish Republic, Greece and Portugal. It is also supporting three "transnational" funds with operations in more than one country.

The commission will meet half of these funds' operating costs for up to five years and, in assisted areas, contribute up to 25 per cent of their capital needs with an upper limit of Ecu 250,000. After five years the funds are expected to be self-supporting.

Some of the funds have completed their fund-raising while others are still attempting to persuade investors. Nearly half the funds said seed capital was such a new idea in their country or region that they first had to familiarise potential investors with the concept.

Entrepreneurs who win the backing of one of the funds will no doubt welcome the commission's efforts but should Brussels become involved in what some governments believe should be local initiatives? Some venture capitalists also believe that it is misguided to attempt a Europe-wide programme when local conditions vary considerably. The enterprise directorate responds that the individual seed fund managers will adapt their policies to local conditions and not to any grand scheme devised in Brussels.

Some participants at the introductory seminar wondered whether the funds would be too small – the commission has set a minimum size of Ecu 500,000 – to be viable. Also, the funds are restricted to backing companies with a maximum turnover of Ecu 100,000. Was this not too restrictive? The enterprise directorate says most of the funds will be larger than the minimum size while the turnover limit on companies backed is meant to restrict investments to businesses in the research and development stage, before sales take off.

Some fund managers with a venture capital background questioned the commission's idea of putting the funds in the assisted areas in the charge of Business and Innovation Centres. These centres, which have been set up in recent years to promote innovative small firms, lack experience of actually making investments, some participants argued.

They might also run into a conflict of interest if, on the one hand, they were advising an entrepreneur on how to raise finance, while on the other, they were providing the finance. The solution most BICs plan to adopt is to employ people with investment experience and to separate the two jobs of providing advice and finance.

While Europe as a whole suffers from a shortage of seed capital, demand is expected to vary and fund managers in some of the less developed regions fear they may have difficulty finding entrepreneurs to back. Spain's regional network of development companies, which provide venture and seed capital, complain of a low level of entrepreneurial activity in some areas, of a lack of interest in technology among larger companies and of universities which do not focus on practical research projects.

Other participants in the seminar expressed fears about the level of failure which some fund managers said was acceptable. Paul Verdurme of Euroventures Benelux Seed Fund said he planned on the basis of a 50 per cent failure rate but Francois Reingold, of Financier Rapp, a French fund, argued such high rates were economically and socially unacceptable. Well-managed seed investments need not be riskier than other venture capital investments because the seed capitalist is able to help from a very early stage, said Carolyn Hayman, of Korda Seed Capital, a UK fund.

As in other areas of venture capital, the US has a longer experience of seed investments than Europe. Twenty nine states run publicly-funded seed capital programmes to supplement federal programmes for research and development work. Public programmes fill the gaps left by commercial venture capitalists, said Diane Palmintera of Innovation Associates, a US consultancy.

Pennsylvania, for example, expects to finance 35 out of 200 proposals this year from its seed capital programme, which provides up to $35,000 to help someone with a good idea develop a product. Second and third stage programmes provide larger amounts for product development and to finance the move to establishing a company.

Despite criticism of public sector attempts to help seed capital there appeared to be little chance of persuading established venture capital groups – in either Europe or the US – to move away from more lucrative later stage deals, said Gordon Baty of Zero Stage Capital, a Boston-based seed capital fund. "The commission has probably chosen the least worst option," he comments.

**European Seed Capital Scheme, European Commission, Enterprise Directorate, DGXXIII, Rue de la Loi 200, B-1049 Brussels, Belgium.*

Research into small business

Academics draw a portrait

By Charles Batchelor

The most ambitious research project into small business since the publication of the Bolton Committee report in 1971 is currently under way in universities and polytechnics throughout the UK.

The £1.4m programme, funded mainly by the Economic and Social Research Council (ESRC), is intended to provide a picture of the small firms community in the late 1980s and to provide government with some pointers for its future policy.

David Storey, co-ordinator of the research programme and head of Warwick University's Small and Medium Size Enterprise Centre, together with the ESRC, have caused a stir in the academic community by awarding contracts to some newcomers to the small firms area and rejecting proposals from some of the long-established small business researchers. The aim, says Storey, is to produce the best quality research across a broad range of small firms topics.

But even without the special encouragement of the ESRC, small business researchers have been hard at work. More than 200 attended the Twelfth National Small Firms Policy and Research Conference held in London at the end of last month to present their research and listen to the findings of their academic colleagues.

USING NEW TECHNOLOGY. Small firms are failing to take full advantage of the benefits of the new computerised technologies which are becoming available in fields such as word processing, accounting software and machinery control. One quarter of firms had not purchased any kind of new technology product in the previous five years, according to a study of 63 businesses by Christine Edwards of Kingston Polytechnic.

Average spending on new equipment was very modest despite the fact that most users reported major benefits in terms of increased efficiency, quality, output and the range of products or services they could offer. Cost was the major factor inhibiting investment since most firms preferred to finance purchases internally.

Few companies realised the full potential of their investment because they failed to invest in training, recruit expert labour or seek expert advice. Most owner-managers lacked technical expertise and simply "muddled through."

Some owners said they would welcome a source of cheap and easily accessible advice but few small firms' advice agencies have experts in this field.

Of firms surveyed which did make use of new technology 54 per cent had installed computers, 25 per cent a word processor, 22 per cent a fax machine and 21 per cent electronically controlled machinery. A further 13 per cent had bought photocopiers and 10 per cent laser printers.

TECHNOLOGY POLICY. The British Government's technology support policy, which emphasises collaborative programmes, largely by-passes small firms, according to a study by Ian Moore of the Cambridge University Management Studies Group. The cost in management time of finding partners for collaborative projects and then of running the project is too much for many small firms, his study of 12 biotechnology and scientific instrument companies showed.

These problems are magnified by the Government's withdrawal from applied research and development projects and its concentration on "pre-competitive" R&D. Small firms are by necessity involved in projects which are "near market" so miss out on earlier stage funds.

The Small Firms Merit Awards for Research and Technology (SMART) is an exception to these rules but, with just £29m available over three years, it is a relatively small programme.

Government policy also needs to address the problem of how innovations are diffused through the market place. Small firms are good at developing new technology but are inefficient at spreading awareness among customers because they lack marketing influence and manufacturing resources.

Some firms resolve this by staying small and targeting niche markets. Others team up with and often sell out to a larger, often overseas, company. More should be done to help these small firms remain independent, Moore argued.

THE NORTH-SOUTH DIVIDE. A comparison of small firms in the north and south of England tends to confirm the popular view of the north-south divide, a study of 242 companies showed.

Northern firms tended to be less profitable, were more likely to be involved in manufacturing, invested little in management resources and were more likely to be supported by grants, according to a study by Sue Birley and Paul Westhead of Cranfield Entrepreneurship Research Centre.

However, while southern Britain has a more youthful, dynamic image, small firms in the south were on average older than their northern counterparts. This reflected the greater stability of the southern economy compared with the north with its higher rates of company failure.

Small firms in the north generally had lower sales than those in the more affluent south. In the north 37 per cent of firms had sales of less than £250,000 compared with just 19 per cent in the south though this may have partly reflected the fact that northern firms were generally younger.

A significantly larger proportion of southern firms had recorded a profit in the previous financial year – 87 per cent against 74 per cent in the north; while more northern firms reported a loss – 19 per cent against 7 per cent.

If public policy was intended to increase national efficiency and reduce social inequality, then local perspectives must be taken into account when considering entrepreneurial development, the researchers urged.

STRESS. The uncertainties involved in running a small business and the demands placed on the individual's judgment and enterprise mean that owner-managers are more likely to suffer from stress than large company managers.

Stress may well be a cause of small business failure alongside more traditional factors such as under-capitalisation, competition and poor planning, a study of 81 business owners by Claude Lambshead of Bristol University and Frank Levy, a freelance consultant, showed.

Owner-managers suffered particular stress from trying to balance the demands of home and work and from the need to maintain personal relationships with a wide range of people, including suppliers, bank managers, customers and other business people.

Making a deliberate effort to keep work and home apart and improving time management both help to reduce stress.

It would be useful if the small business support network was more aware of the problems of stress so that it could advise would-be entrepreneurs of the demands likely to be put upon them, the researchers urged.

ATTITUDES TO ENTERPRISE. Just under a quarter of sixth-formers expect they will eventually have a business of their own, according to a survey carried out by James Curran and Robert Blackburn of Kingston Polytechnic. At present 12 per cent of the adult population is self-employed - which suggests an increase in the general awareness of enterprise.

However, one third of the 850 pupils polled thought it unlikely they would have a business of their own, while a further 41 per cent were unsure; enterprise consciousness appears to be growing more slowly than its more enthusiastic supporters claim.

Independence was the main reason given for wanting to be self-employed with money being mentioned much less frequently. Pupils were mature in their approach and were well aware of the financial problems and personal pressures involved. On average they expected to be aged 28 when they started up.

Pupils from private schools were more likely to see themselves owning their own business than those from state schools. More young men than women were enterprise-minded though the difference was not as great as among adults.

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ADVERTISING AGENCY – BUSINESS FOR SALE

The Joint Administrators offer for sale the business and assets of an advertising agency.

- Specialists in "off the page" advertising
- Full studio and creative facilities
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For further information please contact John Richards or Gavin Crick at the address below:

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55/57 High Holborn London WC1V 6DX.
Tel: 01-405 8799. Telex: 261296 TRCHAN G. Fax: 01-831 2628.
Authorised to carry on Investment Business by the Institute of Chartered Accountants in England and Wales.

Magazine Publishing Company

The Joint Liquidators offer for sale the business and assets of New Bridge Publishing Limited, publishers of:

North East Business View · Yorkshire Business Man · Yorkshire Business View

The company is presently based in Newcastle-upon-Tyne, employs 38 sales and editorial staff and has approximate annual turnover of £1 million.

For further details, please contact
Lynn Houghton or Chris Roulston,
The Joint Liquidators,
BDO Binder Hamlyn,
Twenty One, Queen Street,
Leeds LS1 2TW
Telephone: 0532-440204

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Chartered Accountants

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The Joint Receivers of Averybest Ltd, residential property developers, offer for sale as a whole or individually, the following development sites:

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- HANWORTH 3 blocks comprising 18 flats (approaching roof level).
- FINCHLEY 1 block comprising 7 flats (at second floor level).
- SUTTON 3 blocks comprising 18 flats (at first floor level).
- BRONDESBURY PARK 1 block comprising 9 flats (approaching roof level).
- HARROW an undeveloped site, with planning permission for 8 flats.

For details please contact the Joint Receiver *P R Copp, FCA, FCCA or E V L Blackwell FIPA (ref PDC).*

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Assets for sale include:

- 90,000 sq ft long leasehold factory on a 4-5 acre site.
- Six manual PCB/final assembly lines.
- Automatic insertion machines.
- Automatic test equipment.
- Signal generator.
- Tax losses.

For further details please contact:
M.D. Gercke FCA of Price Waterhouse, Bridge Gate, 55/57 High Street, Redhill, Surrey RH1 1RX.
Telephone: (0737) 766300. Telecopier: (0737) 772342.

Price Waterhouse

Fabrication Engineers
East Midlands

J Wilson and L K Denney, the Joint Administrative Receivers offer for sale the business and undertaking of:

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- Location — Eastern Leicestershire (4 miles from A1).
- Turnover — £650K per annum.
- Highly skilled workforce (16).
- Export potential for Specialist product.

For further details contact: John Wilson or Ian Stanton, Spicer & Oppenheim & Partners, Clumber Avenue, Sherwood Rise, Nottingham NG5 1AH. Telephone: 0602 607131.

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The Joint Administrative Receivers of
C.B. COTTINGHAM LIMITED
OFFER FOR SALE

The business and assets of the Company

The business is based in Howden, North Humberside and manufactures specialised and protected bodies, as well as a wide range of trailers.

- Established customers include police authorities, fire brigades and commercial vehicle fitters
- Turnover £1.5m p.a.
- Highly skilled workforce of fifty eight
- Extensive leasehold manufacturing facilities including large spray booths

For further information please contact the Joint Administrative Receivers, WR Tacon and JV Ayre, PO Box 3, Lowgate House, Lowgate, Hull HU1 1JJ.
Tel: 0482 25531 Fax: 0482 20284

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IPL IMAGE PRINTING LIMITED in administrative receivership

Business and Assets for sale as a going concern

- Based in Swindon, Wiltshire, IPL Image Printing Limited design, manufacture and market specialised laser printing products for the professional typesetting market.
- Turnover approximately £900,000 per annum.
- Established customers worldwide in the typesetting market, 36% of all installations having been exported via a network of distributors.
- Existing service contracts with approximately 250 customers.
- Machinery, equipment, fixtures and fittings and stock of book value in excess of £200,000.
- Leasehold premises may become available comprising workshop and office accommodation.

Rabjohns

For further details contact the Administrative Receiver
Barry John Ward
1-3 College Yard, Worcester, WR1 2LB
Tel: 0905 26183 ext 150
Fax 0905 723279

LEONARD CURTIS

BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS Philip Monjack FCA and Stephen Swaden FCA in the matter of
The Shirt Rack plc

Offers are invited for the business and assets of the above company. Assets include four leasehold Retail shops plus the leasehold of small warehouse/offices.
The turnover is circa £30,000 per month.
Applications for further details should be made to:

P. S. Dunn F.C.A.
Leonard Curtis & Co
PO Box 553, 30 Eastbourne Terrace,
London W2 6LF.
Tel: 01-262 7700. Fax: 01-723 6059. Ref: DM/2

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WHOLESALE DISTRIBUTORS OF PIZZA PRODUCTS

- Largest independent wholesaler distributor supplying pizza products.
- £1m turnover - 8 months to 31 October 1989
- Approximately 400 customers include major breweries, hotel chains and leisure theme parks.
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Fax: 061 832 3849

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Beds/Herts Border

LOADER JACKSON PRINTERS LIMITED
- in administrative Receivership

The Receiver is inviting offers for the Assets, Goodwill and Order Book of the above Company:-

1. Leasehold Premises 9,000 sq. ft.
2. Plant & Machinery including:-
   Linotype Hunter 2 Unit Web Press
   A1 Silvermaster Platemaker.
   Miller 2 Colour TP36S SRA 1F
   Heidelberg SORM SRA2L
   Sulby 2500 Binder and Collator.
3. Budgeted Turnover £1 million plus per annum.
4. 21 Employees.

Contact Philip Lyon or John Harlow.

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Fax: 0602 582537
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(In Receivership)
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- Projected annual turnover for 1990 £1m
- Extensive client base throughout the UK
- Heritable property in Galston, Ayrshire
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For further details, please contact the Joint Receivers:
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Fax: 041 333 0581

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On the instructions of the Administrative Receiver, Roger Cain Esq FCA of Michaels Pulles and Cain

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National Westminster Bank Buildings
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Telephone: (0222) 493855/487731
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BUSINESS ADVERTISING

CONTINUES TODAY ON PAGE 39.

Immigrant issues

William Packer reviews the exhibition at the Hayward Gallery

The Other Story, the South Bank Centre's major winter show at the Hayward Gallery (until February 4; then on to Wolverhampton and Manchester), is, on the surface, simply a survey of the work produced in Britain since the War by artists from Africa, Asia and the Caribbean: and, seen as such, it is the more interesting and successful.

But there is more to the story than mere celebration of particular quality. Close beneath the surface lies a sustained polemic against supposed critical discrimination. The charge inferred by the "Other" of the title is that so substantial a body of work can only have been neglected by virtue of a critico-cultural conspiracy on our, the host society's part.

Imperial exploitation and instinctive, patronising assumptions of cultural superiority live on. We might well wonder whether the inclusion of such notable absentees as Anish Kapoor, Dhruva Mistry and Shirazeh Houshiary, whose careers have prospered here in recent years, would have seriously punctured the show's entire rationale.

The question conspicuously not asked by Rasheed Araeen, the sculptor who has selected this show, is that if few immigrant artists have achieved any sort of recognition, might not the reason be that only so very few have been good enough in their work? Patent sincerity and worthy ambition are not enough. Throughout history, the immigrant has had his way to make, and in electing the society which is to receive him he must acknowledge, if he is not naive, that the terms of acceptance and possible success are already set, and not by him.

Araeen makes the fair point in his introduction that European art history and philosophy has paid scant regard to the other great historic cultures of the world. Hegel and Ruskin, he says, set Indian art as inherently inferior to the Greek. Even in our own time, such luminaries as Gombrich and Clark, he suggests, have agreed in "the assumption that other peoples belong to historically receding cultures." But he misses the larger point that such a view is necessarily determined by its viewpoint, which in Europe is an historic culture quite as rich and engrossing, for those brought up in it, as those of India, Asia and the Orient. An uncomfortable truth of the modern world is that the influence of that European tradition is spreading still.

No culture is an island entire of itself, and of course it is misguided now to imagine it could be. Today the artists of India and Japan, for example, face the considerable creative challenge of reconciling their native art with ever-pervasive western influences. The problem is how to remain an artist true to an Indian or Japanese experience and yet be an artist of the world. And this conflict of interest is one which an artist of Europe or America simply does not face.

It might have been more useful, therefore, to set these immigrant artists into the British context within which they worked, which would have been a more delicate but ultimately rewarding and constructive exercise. Even better might have been to show the art of the post-war period made not only here but in the societies — in India, Japan, Africa, the West Indies — from which these immigrant artists came.

As it is, the show falls comfortably into two unequal parts, the work of the older and the younger generations, which coincide more or less with the serious and the silly. That silliness is in the event a kind of blessing, for without its grace the more hysterical of the political polemics would be downright offensive. With such invectives as Eddie Chambers' Union Jack Swastika, little more than a poster against the hateful National Front, or Keith Piper's sequence of texts, "The Black Assassin Saints" or "Another Nigger Died Today," one cannot but wonder which is the more simple-minded: the selector's pious hope that such examples advance his case, or the authors', that what they offer is art rather than the crudest, self-limiting propaganda, visual shouting.

It is the work that is less specific and limited, that is quieter, wittier or more oblique, that allows the viewer to address it in terms of his own experience, that is the more persuasive. Thus the painted cut-out reliefs of Lubaina Himid, or the large figure drawings and conversation pieces of Sonia Boyce, of the younger artists, have more to say of the experience that bore them than anything of Piper or Chambers. Yet even they retain something of the propagandist.

"Girl with Goat," 1949, by F.N. Souza

More truly impressive are the artists, most of them of the older generation, who have simply got on with their work. The monumental figurative sculpture of Ronald Moody, who died at 84 in 1984, dominates the entrance to the show, with the gentle symbolist portraits and figure paintings of Ivan Peries, who died last year at 67, an immediate contrast close by. The more strident, sometimes desperate eclecticism of Francis Souza, Avinash Chandra and Ahmed Parvez followed, and then come the paintings of Aubrey Williams, Balraj Khanna and Frank Bowling, each display small but substantial, and distinguished in its own way. Bowling seems now especially strong, with his large, thickly encrusted abstract canvasses set against the precociously assured surreal expressionism from his time at the Royal College in the early 1960s.

He, rather than Araeen, might be allowed the last word: "Clem (Greenberg, in New York) was able to make me see that modernism belonged to me also, that I had no good reason to pretend I wasn't part of the whole thing." Exactly.

Giovanna d'Arco

TEATRO COMUNALE, BOLOGNA

Only the most blindly (and deafly) devoted Verdian would claim that his *Giovanna d'Arco* is a masterpiece. Written in the full urgency of the "galley years," when his youthful success was attracting commissions from theatres all over Italy, Verdi's seventh opera, the story of the Maid of Orleans, the libretto fashioned by Temistocle Solera, the poet of *Nabucco*, is a curious mixture of well-crafted but uninspired numbers with others where the composer's imagination and invention soar.

Uneven as it is, it can be completely effective in performance, as productions with Renata Tebaldi and Carlo Bergonzi prove (and the Montserrat Caballé recording confirms). Still, it is rarely given, and when the Teatro Comunale in Bologna announced a new production for this season, Verdians' hopes rose.

In the event, this *Giovanna d'Arco* (currently running at the Comunale) was a sad disappointment. First of all, it was visually a botch. The film director Werner Herzog, who has previously staged only two operas — an interesting Busoni *Doktor Faust* in Bologna and a *Lohengrin* at Bayreuth — apparently worked more with the designer Henning von Gierke than with the singers or with the chorus. The coronation ceremony took place at night; and the crowd milled about at random, while the soprano stood stock still. Solera's stage directions were usually ignored (there was no helmet in the first act, and when Giovanna asks for her flag at the end, the king holds up the hem of what looks like an immense counterpane).

Verdi and Solera carefully calculated the alteration of bright scenes and dark, pageantry and intimacy. But in Herzog's version, all the scenes were uniformly dark, and the love-duet — musically one of the opera's high points — was sung on a terrace inserted in the midst of the battle-field left over from the preceding scene. Thus a life-size dead horse sprawled in the foreground, diminishing the king and his warrior maid.

As in *Ernani*, Verdi chose to end *Giovanna* with an extended trio, a muted, tragic close. Herzog and Gierke devised a cheap, silly trick: as the opera reached its end, some tall, black curtains came flopping down to the stage until the last revealed a huge, blinding electric light trained directly on the innocent, blinking audience.

Of course, if you distilled the staging you could shut your eyes. There were some musical consolations. The Bologna orchestra is playing very well, and Luciano Chailly held them in firm control. He drove the soloists hard (Renato Bruson, as Giacomo, Giovanna's father, tended to drag, as if in protest); and some of Verdi's little touches of pathos were swept aside. When Tebaldi sang Giovanna, simple lines like "O padre, benedicimi" were supremely affecting, unforgettable. Susan Dunn was not allowed time to be moving. For that matter, she seemed generally ill-at-ease and while she sang her chief arias, especially "O fatidica foresta" with clean and effective simplicity, in loud and heroic passages she was likely to turn shrill.

Bruson, too, often forced his voice beyond its natural limits, and was a gruff, blustering father. Admittedly Giacomo is not one of Verdi's most rewarding roles, and neither is that of Carlo, the king, though he is assigned some lovely music. Vincenzo La Scola comes close to being a Verdi tenor, despite a tendency to sing too loud much of the time? When he sings more softly, he frequently produces an unattractive plangent croon. But often the voice rang out with Verdian metal in it.

The fact that, despite these flaws in the presentation, *Giovanna d'Arco* was still enjoyable and, at moments, stirring indicates that this youthful, frequently-dismissed work has more vitality than we are led to believe by commentators. In an interview, reproduced in the rich Comunale programme, Herzog boasts that he never goes to the opera. Perhaps he should change his habits. Or, at least, he might study the librettos of the operas he is called upon to stage. Verdi and Solera created a drama far more effective than the one I saw at the Comunale.

William Weaver

Saffo

RADIO 3

Giovanni Pacini was a prolific 19th century opera composer shackled by the greater fame of his contemporaries Rossini, Donizetti, Bellini and later by the young Verdi. His most celebrated work was *Saffo* first given at Naples in 1840. Montserrat Caballé has added the tempting title role to her repertory. She sang it at this Austrian Radio concert performance during the Vienna festival last summer, broadcast by the BBC on last Thursday.

To judge from what we heard (the three acts lasted only two hours; were there cuts?), Pacini was a light-footed composer. The music of *Saffo* flows as smoothly as, well, glycerine. The vocal writing is demanding but grateful, decorated with pretty orchestration like icing on a cake. Does the frequent use of the harp reflect Pacini's reputed study of ancient Greek music?

It is always a pleasure to hear Caballé spreading vocal riches over unfamiliar music even when, as on this occasion, the voice takes a whole act to settle down. There were fine moments in the second act and uneasy ones as well. By the third act, with the poetess preparing to throw herself into the sea from the Leucadian rock, Caballé was in her grandest form. (Saffo's crime was to insult the altar at the wedding of her rival Clymene, a rival not in poetry but in love). As Clymene, the mezzo Raquel Pierotti displayed a lovely voice, in flexibility and colour not unlike Caballé's.

Clymene's suitor Alcandro who is revealed as her long-lost father, was sung by Enric Serra with eloquent phrasing clothed in frayed tone. Saffo's distraught suitor Faone was the tenor Antonio Ordoñez, passionate but constricted. There was some vivid declamation in a small role from Claudio Otelli.

The conductor José-María Collado paced the opera lightly and swiftly at the expense of some shaky detail. Poor balance, almost submerging the lower instruments of the Salzburg Chamber Orchestra, made the score sound more flimsy than it probably is. Worth doing but the two leading ladies deserved more solid support.

Ronald Crichton

Ránki and Georgian

QUEEN ELIZABETH HALL

We see much less of Dezsö Ránki in London than we should, and his appearance on Friday to replace Annie Fischer seemed a curious piece of serendipity — one of the most distinguished pianists of his generation really ought to have regular engagements here. Yet the whole cast of Ránki's playing seems calculatedly unglamorous and lacking in self-promotion. There is something quite unassuming, almost casual, about his platform manner and a persistent emphasis upon elegant understatement rather than flashy assertion.

Few pianists determined to make an impact would begin a recital with Beethoven's E flat Sonata Op.7; there is plenty of room to unfold it at leisurely length, and equally plenty of space in which to allow the work to lose its way. Ránki's elegant presentation, never forced and always judicious in its choice of tempo, was nevertheless a wonderfully self-confident opening, holding attention from the first bars.

It lost its way temporarily just twice — the short first-movement development could have had more drama, a tighter knot of energy to separate the roomy exposition and reprise, and the central section of the big Largo seemed unsettled, as if having eased his way into the timescale of the first section Ránki found it an unfortunate jolt to have to change gear.

There was much marvellous playing, though, and a perfectly purled technique, which then delivered Bartók's *Out of Doors* with crisp concentration. Ránki was equally attentive to the rhythmic inflections of Brahms's Handel Variations; his tone is not as meaty and thick as Brahms's piano writing conventionally demands, and some of the most intense of the variations (the 20th, particularly) seemed detached, and fractionally underpowered. But the attention to detail was always a delight, and the lucidity of the textures always intent on drawing the ear into the music.

Ránki has the precious ability to make his audiences listen hard and learn, and convince them that there is more to piano recitals than superficial thrills. It is a lesson that he should be invited to deliver here far more often.

★

On Sunday afternoon another effortlessly musical artist played to an Elizabeth Hall which was barely half full. The Armenian cellist Karine Georgian brought a programme of only one work, Debussy's Sonata. It was out of the instrument's mainstream repertory; even the Brahms "Sonata in D" proved to be an arrangement by the composer of the Violin Sonata Op.78, appropriately transposed.

Everything Georgian plays is presented with the most succulent glowing tone, the phrasing boundlessly ample. That can be too much of a good thing — in the Debussy, the first movement was just a little over-emphatic, but the exuberant transition from slow movement to finale was quite irresistible. With her fine partner Pavel Gililov and some generously measured tempi she turned the Brahms sonata into a big, rangey work, and then turned her attention to two small solo pieces — Dutilleux's ruminative *Trois Strophes sur le nom de Sacher*, and the first performance of a Capriccio by her fellow countryman Tigran Mansuryan, which in its folk-tinged nostalgia seemed perfectly judged for its dedicatee's sustained eloquence.

Andrew Clements

Juilliard Quartet at the Wigmore Hall

The entity called the Juilliard Quartet has now been in existence for more than 40 years. However, only one of its original personnel — Robert Mann, the leader — remains in office. Since recent reports have spoken of erratic performances, I went along to Saturday's recital prepared for the regretful discovery of signs that in artistic terms this revered group had now unhappily outlasted its natural lifespan. Fortunately, any carefully primed expectations had to be thrown out pretty swiftly. It was a magnificent concert.

The opening work, Haydn's C Major Quartet Op.50 no. 2, was perhaps more obviously a product of warming-up than it would have been in days gone by — the necessarily light and sinewy touch was missing, at least until the finale. However, with the opening salvos of the Hindemith Second Quartet (1921) it soon became clear that the Juilliard were "on." The angular phrases, expanding and contracting with fiercely *uncompromising* harmonic logic, and tightly argued counterpoint were attacked by all the four players equally in a spirit of athletic confidence and, indeed, absolute stylistic authority. This composer's *music is currently*, in its entirety, well out of fashion.

It was, no doubt, the very name of Hindemith on the bills that denied the recital a completely full hall. The newcomer to this work may be forgiven a sense of surprise at its unabated urgency and power. It is an early piece, from what may now be *termed* the avant-garde phase. It was written with an insider's knowledge (which, of course, the viola-playing Hindemith had) of quartet discourse, and rigorous in containment of extremes. There was no note-spinning, no music-manufacturing.

After the interval the Juilliard account of the third Razumovsky Quartet seemed to stand equal with any Beethoven performance the group have given in this city in recent memory. That is to say, it was a *tremendous* adventure, marked by the quality of rhythmic energy - not drive, and not force. This is a characteristic which has always been a Juilliard hallmark. The pace of an andante at once inexorable and full of fascinating question-marks was controlled with extraordinary rhythmic sophistication. When this work's finale is thrown off with the proper climactic exuberance it becomes one of the most exciting things in all chamber music. It was just that here.

Max Loppert

Alexander O'Neal

WEMBLEY ARENA

Alexander O'Neal, American footballer turned soul superstar, is a big man. Like many big men, he needs a big bed. The thing with with Mr O'Neal is that he takes his bed on tour with him. At every concert, he chooses an attractive young woman from the audience, takes her gently by the hand and lays her on a giant brass bed mid-stage. He sings to her his finest ballad and presents her with flowers and champagne before sending her on her way with a tender kiss.

Modest, he is not. A big man with a big ego, O'Neal puts on a big show. At Wembley on Sunday night the occasion started with the big entrance. Surrounded by a phalanx of walkie-talkie toting body guards, he strolled through the audience to the stage like a prize fighter taking to the ring at Caesar's Palace. There is much of Las Vegas in an O'Neal show; excess is everything. Two bass players, four keyboardists, two dancers, three backing singers; there were enough people on stage to satisfy the starting line-up of O'Neal's former employers, the Los Angeles Rams.

Biggest of all, though, is his music. A huge, soulful sound that shook the Arena's ageing foundations and lifted everyone out of their seats. On the up-tempo numbers O'Neal built up a formidable head of steaming funk. "Fake," and "Innocent" were furious foot-stompers of aggrieved male bravado. With only two new songs to show, he stuck mostly to material from his most recent album. "What Can I Say to Make You Love Me?" and the title track, "Criticize," stood out, perfect examples of late 1980s synthesised soul.

Yet it was with the ballads that that the man-mountain from Minneapolis, Minnesota came into his own. Stretching each song to almost unbearable limits, O'Neal teased out every sexual nuance and tearful drop from marathon versions of "Crying Overtime," "A Broken Heart Can Mend," and the positively volcanic "If You Were Here Tonight."

Alexander O'Neal is likely to return next year with a new album. It is difficult to see how he will be able to top his current show. For such a big star, bringing his own bed with him is no longer such a big deal.

Patrick Harverson

ARTS GUIDE December 1-7

OPERA AND BALLET

London

English National Opera, Coliseum. Richard Jones's witty, deadpan, offbeat production of Prokofiev's *Love for Three Oranges* comes to London from Opera North, where it was a huge hit. David Atherton conducts, and the cast includes Jane Eaglen, Alan Woodrow, Bonaventura Bottone, Lesley Garrett, and Donald Maxwell. Further performances of the triumphant new David Freeman production of Monteverdi's *The Return of Ulysses*, conducted by Paul Danial, with Anthony Rolfe Johnson (giving the great performance of his career), Jean Rigby, Sally Burgess and Laurence Dale; and of the *Madama Butterfly* revival, which brings back Janice Cairns to the title role and introduces to London the American conductor Antonio Pappano.

Paris

Opéra. A Balanchine – Robbins programme to the music by Tchaikovsky, Prokofiev, Chopin and Stravinsky is performedby the Paris Opéra stars and ballet corps accompanied bythe Paris Opéra Orchestra conducted by Michel Tabachnik (47425371). **Théâtre des Champs Elysées.** *Prodromides: La Noche Triste* conducted by Arturo Tamayo in co-production with the Opera deNancy et de Lorraine in Antoine Bourseiller's production(Wed) 47203637).

Amsterdam

The Netherlands Opera present *Don Pasquale* by Donizetti, directed by Renate Ackerman. Carlo Rizzi conducts the Netherlands Philharmonic, with Henk Smit in the title role, Wendy Hill (Norina) and Peter Bronda (Ernesto).
Nederlands Dans Theater with a new ballet by Jiri Kylian, *Shaker Loops* (Van Manen/Adams) and *Rapius* (Duato/Wagner). Muziektheater (255 455).

Brussels

The Monnaie Opera in Schubert's *Fierrabras* (concert version) with Richard Cowan, Robert Holl, Tina Kiberg (Tues). The Monnaie Dance Group Mark Morris in *L'Allegro, Il Penseroso e Il Moderato*, music by Handel. (Wed, Thur).

Antwerp

De Singel. Transparent Chamber Orchestra in Telemann's *Der Schulmeister* and Scarlatti's *La Dirindina* staged by by Hugo Segers with John Dur (bass), Kevin Greenhaus (baritone), Steve Dugardin (counter-tenor). Fri, Sat, Sun. Stichting Operette Zeeland in Lehar's *De Graaf van Luxemburg*. (Thur).

Berlin

Opera. *Don Giovanni* will be conducted by Heinrich Hollreiser.This weeks performances also include *Madame Butterfly*, the ballet *Romeo et Juliet* and *Die lustigen Weiber von Windsor*.

Hamburg

Opera. *Zar und Zimmermann* has fine interpretations by Kurt-Moll, Kurt Streit, Franz Grundheber, Peter Galliard and Gebriele Rossmanith. *Eugen Onegin*, sung in the original language, features Olive Fredricks, Gabriela Benackova, Daphne Evangelatos, Wolfang Brendel and Hans Peter Blochwitz. A gala *Tosca* performance starring Mara Zampieri, Placido Domingo, Eva Maria Tersson and Franz Grundheber, is conducted by Miguel Gomez Martinez. *La Bohème* has a strong cast led by Francisco Araiza, Miriam Gauci, Gabriele Rossmanith and Franz Grundheber.

Bonn

Opera. The two ballets, *Der Nussknacker/Spartakus* are bothchoreographed by Youri Vamos.

Frankfurt

Opera. *Parallax* has wonderful William Forsythechoreography. *Tosca* is revived with a first-rate cast led by Galina Kalinina, Alberto Cupido, Alain Fondary and Kimberly Barber, conducted by Imre Pallo. *Il Barbiere di Siviglia* is a well done repertoire performance. Further offered *Cosi fan Tutte* with a new cast led by Margaret Marshall, Mitsuko Shirai, Christopher Robertson, Hans PeterBlochwitz and Gregory Yurisich. *La Bohème* has Eliane Coelho-making her debut as Mimi.

Cologne

Opera. *Hänsel und Gretel* returns with Machiko Obata andMarijke Hendriks as leads. *Die Zauberflöte* is sung by Susan Burghardt, Teresa Ringholz, Dieter Schweikart and Randall Outland. *Faust* stars Josef Protschka in the titlerole.

Stuttgart

Opera. *Lieder eines fahrenden Gesellen*, choreographed byMaurice Bejart, danced to music by Gustav Mahler. *Elektra* in Harry Kupfer's production features Anny Schlemm, Deborah Polaski and Irmgard Stadler.

Madrid

Bat-Dor Dance Company. Under the artistic leadership of Jeannette Ordman, this Israeli company presents a series of performances distinguished by very up-to-date choreography, "Bat-Dor" meaning conteporary in Hebrew.

Barcelona

Opera. *Adriana Lecouvreur*, co-produced by the Teatro AllaScala and Teatro Comunale, features Mirella Freni and Placido Domingo, Romano Gandolfi conducts. Gran Teatre del Liceu (318 91 22).

Rome

Teatro dell'Opera. Verdi's *Falstaff* in Beni Monstresor's production, which gives the opera the unlikely setting of the Italian Po Valley, conducted by Evelino Pido. Juan Pons sings the title role on Saturday, to be replaced by Paolo Gavanelli on Wednesday (46.17.55).

Milan

Teatro alla Scala. Season opens with Verdi's *I Vespri Siciliani* in Pier Luigi Pizzi's production conducted by Riccardo Muti.

An excellent cast includes Chris Merrit, Cheryl Studer, Paata Burchuladze and Giorgio Zancanaro (80.91.26).

Bologna

Teatro Comunale. Werner Herzog's production of Verdi's *Giovanna d'Arco*, with a fine cast led by Susan Dunn as Joan, the Verdi veteran Renato Bruson as Giacome and Vincenzo la Scola as Charles VII, conducted by Riccardo Chailly. Sets and costumes are by Henning Vongierke, who worked with Herzog on *Lohengrin* at this year's Bayreuth Festival (529999).

New York

New York City Ballet. *The Nutcracker* takes up the holiday season until Dec 31. New York State Theatre, Lincoln Center (870 5570).

Chicago

Lyric Opera. Frederica von Stade sings Rosina with Frank Lopardo as Count Almaviva and Thomas Allen as Figaro in Roberto De Simon's production of *The Barber of Seville* conducted by Alessandro Pinzauti. Kiri Te Kanawa continues as Elisabeth, Tatiana Troyanos is Eboli and Samuel Ramey is Philip II in Sonja Frisell's production of *Don Carlo*, conducted by James Conlon. Lyric Opera (332 2244).

Tokyo

Tokyo Ballet. *Don Quixote* in the Nureyev production, with Yoko Morishita and Tetsutaro Shimizu. Tokyo Bunka Kaikan (Thur) (443 0201).

SALEROOM

Pretty girls sought after

Records in Monaco; records in New York – Sotheby's had a quite wonderful week end. After securing a record £9.9m for Guardi's view of the Giudecca Canal in Venice in Monaco on Friday it secured two more auction highs there on Sunday for major artists – Géricault and Winterhalter, while in New York the $14.3m (£9.16m) total for a 20th century decorative arts auction was a record for this market.

Pretty girls brought out the competitive bidding. Géricault's portrait is of his landlady Laura Bro, painted around 1818, with a rural Montmartre in the background. It sold for £3.7m, around three times its estimate, to the Gallerie French of New York. Winterhalter's portrait of an anonymous young girl with a tambourine was painted when he was also working in Paris in 1838 and confirmed his growing reputation. It sold for just over £1m.

The highlight of the New York auction was the £1.1m paid for a Daum Nancy and Louis Majorelle wheel carved cameo glass and bronze three-branch lotus lamp, 31¼ inches high, which was made around 1900. It was a record for any 20th century decorative item and the price was over three times the forecast.

A Gallé internally decorated and intaglio carved glass and wrought iron figural lamp, dubbed "Les Coprins" (the mushroom lamp) and produced around 1902 sold for £703,774, at the bottom end of its estimate, perhaps because recent research suggests that the design is not so rare as originally believed.

Christie's also claimed a record at Monaco on Sunday – for any 18th century rock crystal ewer. It was made in Paris around 1730; has gold mounts; and is believed to have belonged to Madame de Pompadeur. It came from the collection of Jacques and Marianne Helft and sold for £641,281.

In New York Christie's met resistance in its auction of Chinese works of art, which was a third unsold. This market seems firm at the top end, but a spate of smuggled grave goods out of China in recent years has depressed prices at the lower levels. A large Sancai glazed pottery figure of a Bactrian camel, 29 inches high and dating from the Tang Dynasty, did well at £315,286, as did a rare painted wood figure of a lady of the same period (around 700 AD) at £105,095.

In London yesterday a carved ivory relief plaque depicting the Crucifixion, of the 11th century sold for £121,000 at Phillips, and a pink diamond ring went for £253,000 at Sotheby's, twice its estimate.

Antony Thorncroft

FINANCIAL TIMES

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Tuesday December 5 1989

High cost of share deals

THERE ARE three reasons why the City urgently needs Taurus, the planned paperless trading system that will automate clearing and settlement in the London stock market. The first is that, without it, London's dominant position in European equity trading is at risk. The huge backlog of uncleared deals that built up in 1987, due to the inability of the paper-based clearing arrangements to cope, exposed the vulnerability of the London system. No financial centre operating under those conditions can expect the confidence of international investors.

The second is the sickness in the securities industry, where unprofitability since the 1987 crash has given way to a shaky recovery, though few are sanguine about the future. In this environment, it seems absurd to pay anything from £20 to £50 or more just to settle a bargain (the accurate figures are hard to come by, which is part of the problem). Screwing down these costs, while not solving the bigger problem of overcapacity in the market, would at least lessen the pressure.

Small shareholders

The third reason is that the costs of dealing for the UK's newly created class of small shareholders are too high. Institutional shareholders may not bat an eyelid at the scale of settlement costs, but for private shareholders they are exorbitant. It is not just politicians who are concerned: private shareholders pay very nearly a half of all commissions to stockbrokers, and deserve better treatment.

The need is evident: the problem is that vested interests in the City have fought too long over possible designs for the system, each of which would spread costs differently between the market's participants. During all the chopping and changing, the credibility of the protagonists has evaporated.

News last week of the latest shift in direction has prompted a cynical reaction among Taurus-watchers, who have become accustomed over a number of years to frequent U-turns. The latest views — if they gain acceptance — appear to answer some of the concerns that have been holding back the project. But it would take an optimistic observer to conclude that this really is the final solution.

The change in direction does achieve one significant objective. Put crudely, it shifts costs away from brokers (and ultimately investors) and back on to registrars (and, through them, the listed companies they serve). This move could finally bring support from the committees which have been developing Taurus, perhaps even by the end of the year.

Second battle

There is a second major battle to be won: to convince the market's users of the way ahead. To date the City has been so engrossed in its own in-fighting that it has completely failed to make it clear to anyone outside its narrow confines what the benefits of Taurus will be. Its first job must be to overcome the opposition of some listed companies to what they see as a system which will obscure the identity of their shareholders. The latest design could help here, since it appears to reduce the need for, or even do away with, the element that has particularly concerned listed companies.

The position of private shareholders must also be made clear. Dealing costs may fall, but there is still a fear that the vast majority of passive shareholders, who seldom deal, may find themselves with a new cost simply for holding shares. At the same time, the project's organisers will need to overcome the political difficulty of separating private shareholders from the share certificates they currently receive. The cost of running two systems — paper-based and automated — in parallel would be crippling economically and complex.

Taurus at last appears to have the leaders it needs, with a newly-appointed project manager and a new Stock Exchange chief executive with a reputation for solving technological problems. If they are to succeed, they must waste no time in taking their case to a wider audience. In the face of an already disbelieving public, the cost of failure is too high to be countenanced.

No alternative to Mrs Aquino

PRESIDENT Corazon Aquino of the Philippines and her government are in the midst of their worst crisis as loyalist soldiers struggle to quell the latest and longest coup attempt.

The Philippines has suffered incalculable damage since the rebellion began on Thursday, the sixth coup attempt since Mrs Aquino was swept to office on a wave of "people power" in 1986. Since the last attempt in August 1987 Mrs Aquino has fought to stabilise the country and to attract foreign investment. The Japanese and Taiwanese were cautiously moving in. So were the tourists. The moribund economy jerked back to life this year.

The last week will have destroyed much of that. The Philippines again appears inherently unstable, the key deterrent to investment. The indiscipline of the armed forces and their loyalty to president and constitution appears to be in doubt at every rank in every unit, including the most professional. Parliament contains members who care not at all for the constitutional niceties of democracy. Tourists seeking safety on the demonstrably dangerous Philippine archipelago will again take their valuable foreign exchange elsewhere. Mrs Aquino will have to start the process of rebuilding confidence all over again.

The reasons for these recurrent coup attempts are not difficult to find. Two decades of corrupt and despotic rule by President Ferdinand Marcos produced a generation of politicians, businessmen and army officers for whom the abuse of power was an officially sanctioned way of life. Cronyism and "perks" were the principal tools of government and Mr Marcos was careful to buy military loyalty.

Military shake-up

It takes a long time to eradicate the products of such a system. Mrs Aquino has started to shake up the military but too many officers still owe their allegiance to the Marcos regime and the life-style it brought them. Acceptance that the role of armed forces is to serve governments, not to form them, remains patchy.

Some of the civilian discontent with Mrs Aquino is doubtless of her own making. Although corruption has not been laid at her door, it persists at the highest levels of political, commercial and bureaucratic life. Her government appears increasingly weak-willed. Long-promised reforms to bridge the huge gulf between rich and poor have not been implemented.

The biggest single failure has been on land reform. This aspect of policy may not be of great economic importance, but it is a crucial way of allowing the poorest peasants on to the bottom rung of the ladder of prosperity. Worse, Mrs Aquino, a member of the family which owns the largest estate in the country, has failed to give a personal lead by redistributing some of her own land holdings.

Democracy's survival

These failings are important, but they are not the central issue in the present crisis. The survival of democracy is the priority. Mrs Aquino restored democracy to the Philippines and it would not easily survive her overthrow. It is vital that Mrs Aquino and her government deal firmly with the mutineers. There can be no stable peace in the Philippines while characters like Gregorio "Gringo" Honasan, the cashiered colonel behind this and previous failed coups, may roam freely.

Whatever Mrs Aquino's difficulties and political weaknesses, all the alternatives appear worse. The military rebels would, if victorious, produce a junta determined to take the Philippines back to the worst of the Marcos era. The assortment of opportunistic politicians thought to be sympathetic to the rebels includes Vice President Salvador Laurel and Senator Juan Ponce Enrile, Mrs Aquino's former defence minister. Both were "loyal" supporters of President Marcos before their timely switch to Mrs Aquino.

Opponents of Mrs Aquino will have their chance at the ballot box in 1992 elections. There is no acceptable alternative to waiting for those elections. Weak democracy — and each coup attempt in the Philippines weakens it still further — remains preferable on every count to no democracy.

FOREIGN AFFAIRS

Germany's future, and a continent's

The new Europe can be knit together without unravelling the old, argues **Edward Mortimer**

Chancellor Helmut Kohl's Ten Point Programme for German unity, delivered to the Bundestag last Tuesday, has had a mixed reception: polite in public but anxious in private from West Germany's allies, who wondered if it could have been mere oversight that stopped Mr Kohl from repeating, in this important speech, the traditional reaffirmation of his country's unchanging and unshakeable commitment to the Western alliance.

Fear that the Soviet Union might "play the German card" — seek to woo West Germany away from its western allies with an offer of German unity — is a long-standing Nato obsession. Last week I heard a senior British official wonder aloud, after careful perusal of Mr Kohl's speech, "whether the German card had not already been played." German officials present hastened to refute the suggestion, drawing attention both to the Chancellor's long and impeccable record of support for Nato and to his generous acknowledgement, in the preamble to the Ten Points, of the key role played by Nato's steadfastness in making possible the current triumphs of freedom in the East.

The fact is, though, that this acknowledgement referred to the past. For the future Mr Kohl addressed to his allies, in Point Six, not a pledge but a request — almost a command: "The development of inner-German relations remains bedded in the pan-European process and in East-West relations. The future structure of Germany must fit into the future architecture of Europe as a whole. The West has to provide pace-making aid here with its concept for a permanent and just European order of peace."

That is, I understand, a reference to the political objective which Nato proclaimed in the Harmel Report, back in 1967. But "pace-making aid" (*schrittmachende Hilfe*) clearly implies something more than ritual incantation of a phrase. The West is being asked to set the pace of a "pan-European process" which will make German unity possible. That process is presumably the one known in Germany as *Überwindung der Blocke*: the superannuation of the alliances — both of them — in the interests of a wider European unity. It is also what Mr Mikhail Gorbachev is generally thought to be on about with his "common European home." He was on about it again in Rome last week, declaring that "the situation today calls for a greater emphasis on European construction" and suggesting in the next breath that there should be "an all-European summit, a Helsinki-2 meeting" as early as 1990.

Mr Kohl, in other words, did not think the time particularly appropriate for ringing declarations of undying fidelity to Nato, because these might be taken as implying that the division of Europe into blocs, with Germany divided between them, should be regarded as permanent. In his eyes Nato's task was to prepare for the day when it would no longer be needed because the conditions which made it necessary, alias the Cold War, would have been removed. With Mr Bush and Mr Gorbachev chaffing each other about the precise minute on Sunday when the Cold War ended, Mr Kohl can be forgiven, perhaps, for hinting that Nato's remaining service to humanity should be the rehearsal of its own Nunc Dimittis.

The British Government does not see matters in quite that light. Hence the anxious reference to the playing of "the German card." But the same British official who made that remark found something else in the Ten-Point Plan which clearly pleased him. He pointed out that the *only* reference in the speech to European integration came in this paragraph: "We understand the process leading to the recovery of the German unity to be of European concern. It must, therefore, be considered together with European integration. In keeping with this, the European Community must remain open to a democratic GDR and to other democratic countries from Central and South-Eastern Europe. The EC must not end on the Elbe, but must remain open to the East."

That can hardly be interpreted as a ringing endorsement of the French argument that the changes in eastern Europe make it imperative to push ahead as fast as possible with the political integration of the Community including economic and monetary union. On the contrary, Mr Kohl seems to be saying, integration must not take any form which might make it more difficult for the Community to expand eastwards. While the French and the Commission in Brussels are saying "let's get on with strengthening and deepening the Community so that it can respond better to the new challenges in the east, and only think about admitting new members later, if and when they can accept the tight political and economic union we shall by then have constructed," the Germans are saying increasingly that widening the Community must come first, not in chronological order but in order of priority.

The British Government is not committed to widening the Community as such, but it clearly sees a tactical advantage in stressing the wider European agenda as opposed to the specific Community menu of Emu plus Social Charter so vigorously canvassed by the French.

(Mr Jacques Delors, the Commission's president, made clear in a speech to the Centre for European Policy Studies annual conference last week that he now wishes to supplement this menu with further institutional changes, designed to improve the Community's decision-making machinery and make it more democratic. Intellectually these can be seen as in part an answer to Mrs Thatcher's proclaimed dislike of ceding powers to unelected bodies which are not subject to democratic control. Politically however they will make the whole menu even less appealing to her, since their effect would be to make the Community more like a federation.)

Fear that the Soviet Union might play the German card is an old Nato obsession

Mrs Thatcher likes to recall her statement, in her Bruges speech of September 1988, that "we shall always look on Warsaw, Prague and Budapest as great European cities"; and she has suggested having association agreements between the Community and east European countries comparable to the one with Turkey (which is explicitly defined as a stage on the road to full membership).

She has also claimed the Bundesbank president, Mr Karl Otto Pöhl, as an ally in the Emu argument. It looks very much as if she is hoping for support from Chancellor Kohl at the EC summit in Strasbourg this weekend for delaying, if not actually blocking, the convocation of an inter-governmental conference. Unlike him, she is opposed in principle to the "deepening" of the Community. Unlike her, he is committed in principle to the "widening" of it. But some people in Whitehall obviously see this as the possible basis for a *de facto* alliance: no deepening before, or at the expense of, a possible widening.

The French will work very hard to prevent such an alliance. They will be able to play on the two leaders' well-known mutual dislike, which in this case will probably turn to Mrs Thatcher's disadvantage. Mr Kohl will not wish to be seen making common cause with her in what would be portrayed as an obstructive attitude to the Community: he is much more sensitive than she is to the charge of being a "bad European," and has much more at stake in his relations with France. Yet it is clear that his overriding priority is now German unity, both because that is where his electoral interest lies and because it is there that he has a chance to play a unique role in his country's history.

Is there in fact any irreconcilable contradiction between German unity and the further political integration of the EC with its present membership? The French and the Commission say no. But they have to say that: to say anything else would mean asking the Germans to choose between their national aspirations and their ties to the West. In reality both President François Mitterrand and Mr Delors do fear — as Mrs Thatcher hopes — that focusing on the problems of a wider Europe will result in a loss of momentum for the integration process. They are trying to square the circle by asserting (a) that eastern Europe wants and needs to find an integrated western Europe already in place as partner and benefactor, but (b) that as far as membership is concerned the GDR is a special case whose inclusion in the Community would not imply that other east European countries were entitled to the same treatment.

One reason why the integrationists are so reluctant to expand the Community eastwards is that they do not see how it can be politically unified if it includes members of both Nato and the Warsaw Pact. Indeed they oppose even the admission of neutral Austria on the grounds that the Community would then be unable to develop as a fully political body with its own foreign and defence policies. If one objects that the Community already has a neutral member, one is told that Irish neutrality is not an obstacle of the same kind because it is not neutrality between East and West, and not the subject of any arrangement involving the Soviet Union.

Implicitly, therefore, the European integrationists make the same assumption as the Nato conservatives: that the division of Europe into east and west is going to remain. In fact they are often the same people, which is why criticism of Mrs Thatcher for blocking European political integration is now heard almost as much from Americans as from Europeans.

When asked how they reconcile this position with support for German unity, both groups are driven to reply that they believe the GDR can eventually be extracted from the Warsaw Pact and included in Nato, though perhaps as part of a demilitarised zone between the blocs. Some think the Soviet Union could be persuaded to accept this. Others suggest that it may simply be unable to prevent it. The Warsaw Pact, they point out, was never based on the consent of its component peoples; and it will probably now disintegrate, they say, without Nato having to do the same.

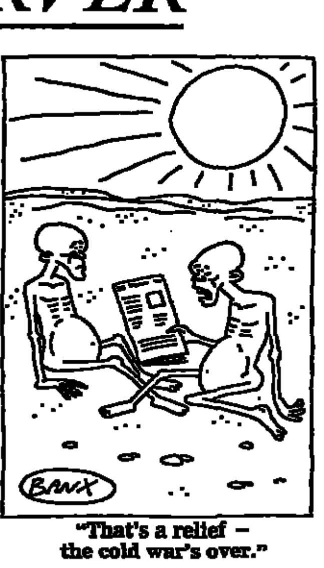
Chancellor Kohl, it seems, does not share these bland assumptions. He has seen the danger of a collision between German aspirations for unity (if these turn out to be shared by the East Germans) and what the Soviet Union will see as its legitimate security interests, unless those interests are catered for by some method other than the perpetuation of the two blocs.

That is what Mr Gorbachev's common European home is all about: a new security organisation embracing both the present alliances and thus overcoming the division between them. What Nato should now be all about is ensuring that the US is fully incorporated into that new structure, so that it continues to act as a geopolitical counterweight to the Soviet Union, but without having to be the leader of an anti-Soviet alliance.

This of course presupposes a much lower level of armed forces throughout the continent. Monitoring troop levels, and authorising the use of force for specific purposes defined in its charter, would be the main tasks of the new organisation. Military force would thus come to be seen as a technical aspect of the maintenance of order rather than the ultimate manifestation of political power.

Once that perspective is accepted the Community would no longer have to see competence in military matters as the ultimate test of its political identity; and, the military blocs having ceased to exist, it would be free to recruit members in eastern Europe without either jeopardising its political vocation or posing a military threat to the Soviet Union.

OBSERVER



"That's a relief — the cold war's over."

Voting in the dark

■ I think that it was Talleyrand, though I have been unable to trace the quotation, who said that "the business of politics is to foresee the inevitable and to expedite its occurrence." That is what today's election for the leadership of the Conservative Party is all about. The trouble is that it is hard to put the maxim into practice.

Everybody knows that Margaret Thatcher is not going to be beaten. The Tory Party has been lucky, and perhaps also skilful, in that no particular number has emerged to test whether she will have done well or not. If there are 100 votes against her — a mixture of abstentions and support for Sir Anthony Meyer, the sole opposing candidate — one would expect the markets, let alone the party, to be affected. It there are 30 or less, no doubt business will resume much as usual. It is the grey area in between 30 and 100 that could set people thinking.

Not that Tory MPs — the only people who have the vote — have not been thinking very hard. One does not envy them their choice. Part of the calculation must include the fact that if the Prime Minister gets a smooth ride today, she will still be leading the party — barring accidents — at the time of the next general election. After all, it is unlikely that people who did not choose to challenge her in 1989 would do so in 1990 when the election will be much nearer.

On the other hand, the idea of fighting an election in 1991-92 under Mrs Thatcher cannot be all that attractive. She will have been around by then longer than most leaders in the democratic world have ever been. The "time-for-a-change factor" among the electorate could be very powerful. There would also be something very odd about a leader who has twice called general elections prematurely, rather than serve a full five-year term, clinging on till the last possible date in 1992 in the hope that something will turn up.

And, as MPs must know, there is not much good news on the horizon. Inflation, the balance of payments, the continual quarrels about Europe, not to speak of the odd banana skin, do not bode well for the Conservatives.

It is not an easy choice to make. If only there were more serious candidates, but there are not. The real election for the succession to Mrs Thatcher, when it comes, could be quite savage, but perhaps it is better to delay the day.

One is reminded of another European statesman, Konrad Adenauer, who said of Ludwig Erhard, a brilliant Economics Minister who was long tipped to succeed him: "Have you ever tried to nail a blancmange to a wall?" If it is any consolation to those Tory MPs who will vote reluctantly for Mrs Thatcher today, Adenauer was right. Erhard was a lousy Chancellor when he finally took over.

No Greek

■ On the subject of quotations, Denis Healey, the former Chancellor, was talking yesterday to a UBS Phillips & Drew seminar on the Investment Outlook, 1990. He quoted Heraclitus in Greek, which will be translated here — for want of a Greek keyboard — as "Everything flows and nothing stays." There was dead silence and some embarrassment. Healey asked how many of the 300-odd audience had learned Greek at school. Not one of them put up a hand. Healey was deeply shocked.

Power cut

■ Bob Bass, British Sugar's executive director responsible for new ventures, told an energy seminar yesterday of a weather balloon released by the Met Office near Reading, which landed on power lines taking surplus electricity from a British Sugar factory in Norfolk.

A passing motorist tried to release the balloon, causing a power failure that blacked out the factory for 37 hours. Bass put the cost at £200,000 and tried to find his way through the Whitehall machine to claim compensation.

A female voice on the phone eventually assured him that all would be well, for she had a budget for such contingencies. He ventured his figure — and elicited an unladylike exclamation. Not a penny was paid. Perhaps it will be better under privatisation.

Cheap labour

■ The mascot for the World Cup due to be held in Italy next year — Italia '90 — turns out to be a cute little figure of a man, similar to Lego, in red, white and green, the colours of the Italian flag, and with a black and white football for a head. Italians might not like it, however, if they read the small print on the packaging: "Made in Portugal."

Out of town

■ A lot of people have been mysteriously missing during the coup attempt against President Cory Aquino in the Philippines, none more so than Vice President Salvador Laurel, who retains the job in spite of having split from her last year.

He has since repeatedly called for her resignation, which he did again yesterday from the safety and calm of Hong Kong's Peninsula Hotel. Curiously for a country's deputy leader he did not hot-foot it to the airport to catch a plane back to his country when Manila Airport was reopened yesterday; he says he might go back today.

When the attempted coup was launched on Thursday, he was in London watching a less dangerous drama than the one unfolding at home: one of his eight children was appearing in a couple of cameo walk-on roles in the hit musical, Miss Saigon.

New Japan

■ Foreigners visiting Japan have long since wearied of the standard response given by Japanese officials and businessmen to any general query: "Ours is a poor country, with no resources, which was devastated by the war and has to export to survive." A new variant on the theme, delivered in all seriousness, was heard in Tokyo the other day. "We are a poor country; our only resource is money."

Chicken feed

■ Real corn before the Christmas crackers: "Why did the chewing gum cross the road?" "Because it was stuck to the chicken's foot."

LETTERS

Takeovers and mergers across the EC

From the Director-General of the CBI.

Sir, Your leader on takeovers and 1992 (November 28), and report of the negotiations in Brussels for an EC merger control regulation, highlight aspects of restructuring business within the European Community which are most important to UK companies.

The Confederation of British Industry (CBI) would agree with much of your analysis – when you point up the relative open-ness of UK companies to contested takeovers in the EC member states and the reasons for it. While it is unwise to set out on a route march with the idea that you are the only one in step, we think that the prospects for opening up listed companies in the EC to contested takeovers may be somewhat better than you state: large businesses in other western European countries are seeing the advantages of extending their national capital base and are seeking quotations on important stock exchanges elsewhere; that process makes them shed some of the protection now available to incumbent boards.

We wholly disagree with your conclusion that political sensitivities and the possible effect on the UK balance of payments should encourage a pedestrian approach to opening up the European market for corporate control.

This blandly assumes that a lopsided restructuring of EC business might not lead to a political backlash here. The real need is for the UK Government and European Commission to be given the strongest support for their initiative in removing structural and technical barriers to contested takeovers – even if the timescale may be a long one.

Your Business Law report (November 23) reflects the dissatisfaction of business in the UK and other parts of the EC with political compromises now being *shaped* on the merger control regulation. There is a risk that the internal market council on December 21 will settle on a text which will fail to offer a one-stop shop for companies contemplating significant cross-border acquisitions or mergers.

Forms of words may be agreed which blur the dividing line between the jurisdiction of national competition authorities and the Commission; directorate general IV (competition), in contrast to its powers when examining cartels, will not be able to weigh the benefits to production, distribution and technical progress against possible anti-competitive effects when it looks at EC-scaled mergers and acquisitions.

While there may be a few legitimate reasons for public interest which prompt EC member governments to look at mergers and acquisitions that have passed muster with the Commission, we think that powers to second-guess the Berlaymont because it *may* have missed some anti-competitive effect on an ill-defined "local" or "distinct" market is simply going to leave companies with multiple control.

The only difference from the present situation will be that they *may* have to jump several hurdles in future, whereas now they *know* that they will have to, before they restructure operations across EC borders. That is why big companies in the UK are thinking that the regulation may leave them worse off than now.

Sir Leon Brittan should stand out against the EC member states' attempts to dilute the Commission's original concept. He might even invite his colleagues who promote deregulation in the EC to assess the cost for businesses of complying with the merger legislation now being patched together. The result might be instructive.

John M.M. Banham,
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'Better to let the £ fall'

From Mr Brian Reading.

Sir, Your leader ("Unsteady as she goes," December 2) says there is little evidence of "serious sterling overvaluation." This implies that the value of the pound, relative to what it should be, can be measured in much the same way as the altitude of an aircraft relative to its correct flight path.

It cannot be. Statements to the effect that sterling is, or is not, overvalued are really statements to the effect that sterling ought or ought not be allowed to fall – that is, whether interest rates should not or should be raised.

Given Britain's £20bn current account deficit this year, and a prospective deficit of £15bn in 1990, summarily to dismiss the case for a lower pound sterling to help reduce the deficit is somewhat excessive. The case for a lower pound cannot be dismissed out of hand.

A lower pound sterling undoubtedly increases import prices and, to the extent that real wages cannot easily be reduced, makes it more difficult to limit inflation. But higher interest rates, which raise mortgage payments, add to living costs and encourage higher wage demands. This also makes it more difficult to limit inflation. I myself would rather see the price of imported Toyota cars and video cameras rise than mortgages – and I would rather see Japanese and German industry hit by a lower pound sterling than British industry hit by higher interest rates.

Excess demand, relative to supply, causes inflation. Demand changes quickly – supply slowly. In the short term it is easier to reduce the former than to increase the latter.

But when measures to reduce demand in the short term squeeze industry, causing investment to decline, they simultaneously reduce supply in the longer term.

Less inflation today entails more inflation tomorrow. The lesson of the 1980s is that you cannot cure inflation by clobbering industry; you merely postpone it.

It would be better to let the pound sterling fall, and accept that progress in reducing inflation in the short term will be slower, than to prop it up and exacerbate the problem of reducing the longer term underlying inflation rate. The UK Government's aims, "to bring inflation decisively down and keep it down," cannot be achieved by high interest rates and a strong pound.

Brian Reading,
83 Shakespeare Tower,
Barbican, EC2

Computer-assisted trading

From Professor G. Gemmill.

Sir, Janet Bush gives a rather unbalanced view of programme trading (November 30). It is important to distinguish between index arbitrage and other kinds of computer-assisted trading.

Index arbitrage is merely the simultaneous adoption of equal and opposite positions in the shares which comprise an index, and in a futures contract on that index. The purpose of such trades is to bring the spot and futures markets into equilibrium.

Because this is a risk-free arbitrage such opportunities disappear as soon as they are exploited. Without such arbitrage the spot and futures markets would become "unhinged," the size of total market would be reduced, liquidity would suffer. The Brady Commission report recognised this, and recommended closer integration of the spot and futures markets.

The other kinds of computer-assisted trading do what has always been done by portfolio managers, but more rapidly and mechanistically. The strategy of selling in a falling market and buying in a rising market became formalised in the mid-1980s into portfolio insurance. Similarly a portfolio manager has always had the opportunity of trying to track a particular index, (that is, to create an index fund), but a computer makes calculations easier and less prone to error.

What is potentially dangerous in these two strategies is that they are passive: they may destabilise the markets unless there is a sufficient number of other managers valuing shares on "fundamentals." One problem is that the "fundamentals" of share markets are not simple. We know how to value one share against another; we do not know, confidently, whether the FTSE 100 should be at 2200, 2500 or even 1800.

The hypocrisy of those Wall Street securities houses which have ceased doing index arbitrage is remarkable. They know this arbitrage is benign. To prevent stock-index arbitrage makes as much sense as closing-down the forward market in sterling to prevent interest-rate parity from holding. The truth is that these securities houses cannot make much profit from stock-index arbitrage – therefore it is a convenient scapegoat. They also know that passive management of portfolios has been superior to active management over recent years, as the fees have been so much smaller.

Gordon Gemmill,
The City University Business School,
Barbican Centre, EC2

Stomping over the Savoy

From Mr Anthony Rowley.

Sir, Lex writes an extraordinarily biased, ill-considered note on the Savoy Hotel group (November 30). The Savoy, the Berkeley, the Connaught and Claridges, it says, "could have been the foundation for creating a world class business."

What are these already if not world-class hotels – and just who is supposed to benefit if their quality is sacrificed in pursuit of building a bigger business empire for its own sake?

Anyone of any discernment, especially if he/she travels internationally, is well aware of the scourge of hotel chains or conglomerates which impose an awful mediocrity and, often, poor standard of service upon guests. Why should the Savoy want to follow suit by "tapping into a broader customer base," when it gives such excellent service to its clientele at present?

No doubt the Financial Times could tap into a broader base of readers by going downmarket, but whose interests would be served by such an ill-judged exercise? As for the idea that the Savoy needs Trust House Forte (THF) to "market" its name in Tokyo, or anywhere else, I suggest that Lex should inquire, in any capital city, which are the hotels best known for excellence – the Savoy group's or THF's.

The directors of the Savoy have a duty to the users of their hotels to maintain high standards – as much as they have a duty to the City to maximise profit performance.

So far they have managed to balance both of these objectives. Let us hope that the composition of the new board will not jeopardise this in any way. I would add that I have no connection whatsoever with the Savoy Group – I am a journalist, fairly well-travelled, who knows a good hotel when he sees one.

Anthony Rowley,
7 Palace Place Mansions,
Kensington Court, W8

Topped up to the 21st century

From Mr Alex Aitken.

Sir, Over the past few weeks the so-called National Union of Students has been engaged in a publicly funded campaign against the Conservative Government's proposals to introduce loans to supplement student grants. Despite the scare campaign, many students can see that the proposed "top-up" loan will benefit them in a number of ways.

The loan will provide an extra source of financial support for students. Currently the amount of grant that a student receives is dependent on parental income. "Top-up" loans are an automatic entitlement for all students, regardless of parental income.

The present means-tested grants system creates a situation where students are reliant on their parents for an increasing proportion of the cost of their living expenses while at college. The student loan will relieve parents of this burden and give students an interest-free loan in place of a bank overdraft.

Most importantly: students recognise that loans schemes operate successfully all over the world. They allow public money to be spent more efficiently in providing more courses and extra places in higher education.

It is the students of the 21st century who will reap the benefits of the "top-up" loans scheme. The repayments made by students in the 1990s will help fund the necessary expansion of higher education in the next century.

Alex Aitken,
Conservative Collegiate Forum,
32 Smith Square, SW1

Of sound mind at 16

From Mr Michael Varcoe-Cocks.

Sir, Paul Donovan (Letters, November 29) argues against your leader writer's support for compulsory "core" subjects in sixth forms; Mr Donovan states that at 16 he is considered mature enough to decide whether to continue his education, join the army, find a job, or whatever, and that you should have consulted sixth form students before "deciding what is best for them."

Reaching the age of 16 means merely that Mr Donovan is *old* enough to join the army, find a job, leave home, and so on. I should hope that any 16-year-old mature enough to decide to continue his education would want to be literate, numerate and speak at least one other European language fluently.

If not, you are fully entitled (and so is anybody else) to express an opinion on what is best.

M.D. Varcoe-Cocks,
Flat 1,
95 Lexham Gardens, W8

Productivity gap in Ulster

From Professor N.J. Gibson.

Sir, Hitchins and Birnie (Letters, November 14) rightly attach importance to the apparently low value added per head of manufacturing industry in Northern Ireland.

But what I wrote (November 1) about "the levying on the Northern Ireland economy of a system of fixed prices (including tax and benefit rates; a one-to-one parity exchange rate with sterling; very similar sets of interest rates and rates of price inflation and largely common wage and salary scales," has been diminished to "Professor Gibson's suggested wage cuts."

What I am suggesting is that the institutions, structures and policies which levy on the Northern Ireland economy a set of rigid "prices" make it well nigh impossible for markets to function, and maintain them in a persistent state of disequilibrium.

If the rigidities were removed, then we might expect that some "prices" would fall, and others rise relatively to their previous positions. Longer term, I would expect the growth rate to improve, unemployment rates fall, standards of living rise faster than previously – and dependence on the UK Exchequer decline.

Norman J. Gibson,
University of Ulster,
Coleraine, Co Londonderry,
Northern Ireland

Money minds

From Mr John Train.

Sir, I am grateful for the generous review of The New Money Masters (November 18). But your reviewer says that the only advice in the book (in the "James Rogers" section) is to buy Indonesia and sell Sotheby's. Each of the eight "masters," in the "advice" section that closes his chapter, gives extensive suggestions on specific stock/investment sectors.

John Train,
667 Madison Avenue, New York

There seems to be a stop-go trap in UK education policy

From Mr D.A.A. Fagandini.

Sir, One might justifiably become excited at Michael Prowes's article (November 29) – for no better reason than the fact that the Great Debate on education, begun 15 years or more ago, is still without issue.

Successive Education Secretaries Joseph, Baker and McGregor have, in effect, deployed a smoke screen behind which almost nothing has changed. We continue to use the educational system for the exclusive purpose of screening the population for academic talent, implicitly rejecting all other expressions of ability.

It is clear now that matters could hardly be otherwise when almost all persons in high office, whether in government, industry, academe, commerce or finance, have enjoyed a "traditional" British education. They have no reason to examine – let alone question – the system which allows them ably to fulfil their role in society.

What we see, then, are the thought processes of a benign phalanx of *apparatchiks* who are quite unable to imagine that anything is amiss with a system which can unerringly identify their (and probably their children's) talents, and thereafter often provide suitable rewards.

Vocational education being so distasteful, it comes as no surprise that one UK Government after another falls into a stop-go trap. What is surprising is that this educational dyslexia is not seen to represent any danger to national sovereignty; a structural import/export imbalance is seen to be a weakness elsewhere – but not here.

After so many years of debate and so much effort to develop the National Curriculum the aims have not changed. The only true ability is academic ability. All else is of the lesser variety. The only purpose of education is to secure for the "most able" the higher reaches of society.

D.A.A. Fagandini,
6 Alleyn Park,
Dulwich, SE21

No ERM entry without a property tax

By John Muellbauer and Anthony Murphy

Entry into the exchange rate mechanism (ERM) of the European monetary system must necessarily lower UK interest rates. The UK's economic performance in the last 30 years has been gravely handicapped by the tendency of consumer demand to rise more strongly than supply in economic upswings and in response to easier money. In the last 10 years this tendency has been made worse by financial liberalisation and by the weak growth in the capacity of the economy to produce tradable goods. Unless the signals in the economy are permanently reset to restrain consumer demand relative to the supply of tradables, ERM entry will prove a disaster for the balance of payments and inflation. A property tax would prevent such a disaster and make low interest rates sustainable.

The main effect of financial liberalisation on consumer demand has been through asset values[1]. One effect of financial liberalisation was to fuel the house and land price boom. Between 1981 and mid-1988 residential land prices in England and Wales rose by a factor of 4.6 and in the south-east by a factor of 5.8. Relative to UK per capita personal disposable income, the increases were respectively 2.6 and 3.3 fold. Only a part of these increases is explicable by the growth in incomes, by lower interest rates and by demographic trends.

An indicator of financial liberalisation can be derived from the average proportion of the value of a property advanced in building society mortgages to first time buyers. In 1988 this was 85 per cent. Under pre-1981 credit conditions, but given 1988 interest rates and average house price to income ratios, we estimate that building societies would have advanced only 73 per cent of the value of a property to first time buyers. The difference between 73 per cent and 85 per cent is a measure of how easy credit has become since 1981.

The other effect of financial liberalisation has been to make illiquid assets such as houses more liquid. Households have become more free to rearrange their financial and property portfolios in order to borrow at the most advantageous rates – that is, at the mortgage rate – and to invest or spend these funds as they see fit.

The more liquid an asset, the greater the spending its possession makes possible. We estimate that before 1981, illiquid assets such as houses, equities and pension rights had a spending power per pound equivalent to around 43 per cent of liquid assets such as bank and building society accounts. By 1988, this had risen to around 59 per cent, as illiquid assets had become effectively more liquid.

Based on these estimates, it is possible to construct a composite measure of liquid assets, debt and illiquid assets relative to income. The graph shows its movement in the last 25 years against the consumption/income ratio.

The correlation is striking. For example, the fall in the measure after the first oil shock and the associated inflation does much to explain the fall in the consumption/income ratio and so the rise at that time in the savings ratio. Similarly, the unprecedented rise in the composite net wealth/income ratio in the 1980s explains most of the decade's consumer boom and so the collapse in the savings ratio.

House prices – and hence underlying land prices – are important for two reasons. One is the sheer weight in the personal sector's illiquid wealth of residential property. This was around 57 per cent in 1988 but would be higher still if the effective weight of pension and life insurance rights were reduced because of their lower liquidity.

The other reason is that residential land markets are by far the most distorted markets in the UK. They have therefore been much more affected by financial liberalisation than gilt and equity markets.

The supply of residential land is restricted by some of the tightest planning controls in Europe. Demand for land is artificially stimulated by layer upon layer of subsidy or tax advantage. For the poor there are Housing Benefit and subsidies to housing associations. For landlords there are the very generous Business Expansion Schemes. And dominating the first two, for owner-occupiers we have mortgage interest tax relief and no capital gains tax on main residences.

Mrs Thatcher would like to raise the current £30,000 loan ceiling for mortgage interest tax relief; through house price inflation, the ceiling has somewhat eroded the concession's relative importance. Moreover, she is the architect of the abolition of domestic rates, the UK's form of residential property tax. This, it has been estimated, will make house price/income ratios perhaps 18 per cent higher in due course.

Given the sharpness of the economic showdown in the UK, it seems likely that the trade balance in 1990 will show a rapid improvement. Together with a cautious March Budget, this will allow interest rates to fall. Evelyn Brodie of Morgan Grenfell argues that the combination of these falls and the abolition of domestic rates will then set house prices in the south-east rising at an annual rate of 10 per cent. If she is right, the improvement in the trade balance and the reduction in inflationary pressure will be shortlived.

The high interest policy of 1988 and 1989, like that of 1979-81, is causing long term damage to the capacity of the economy to produce tradables by curtailing investment and raising business failures. It does not adequately address Britain's fundamental problems. And though it raises the resistance of firms to wage demand, higher mortgage costs increase such demands.

Entry into the European exchange rate mechanism would permanently bring down UK interest rates relative to European ones. Given current institutional arrangements in the UK, these interest rate reductions will set off the consumer boom again through asset price inflation – which also has inflationary consequences through the labour markets[2]. Under these conditions it will be impossible to combine reasonable economic growth in the UK with the maintenance of a stable exchange rate. If Mrs Thatcher's myopia on housing and land prevails, entry into the exchange rate mechanism could be a disaster.

One of us has put forward a modest reform proposal (FT, March 20 1989). This is to raise roughly the revenue now obtained from owner-occupiers through domestic rates by a national tax on residential land values. The tax would be indexed annually to local land price indices. By including land zoned for residential development but not built on, the burden on owner occupiers would be less than now.

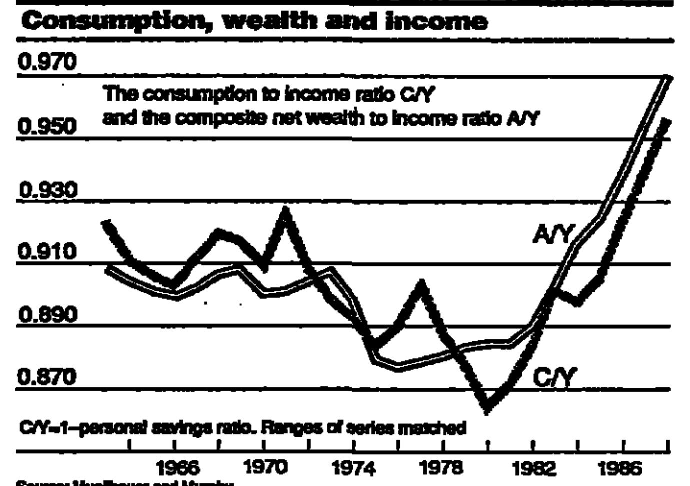
Moreover, by creating incentives to release building land early, such a tax would bring down land price to income ratios by more than the abolition of domestic rates raises them. Such a tax would also have a number of important microeconomic benefits, among them its function as a congestion tax and a market-based, non-interventionist regional policy. This tax would go some way to balancing the artificial stimuli to the demand for land discussed above.

[1] *"Why has UK personal saving collapsed?" Crédit Suisse First Boston Economics, July 1989.*

[2] *Oxford Bulletin of Economics and Statistics, May 1989.*

John Muellbauer is a fellow, and Anthony Murphy a research officer of Nuffield College, Oxford.

Consumption, wealth and income



Source: Muellbauer and Murphy

FINANCIAL TIMES
Tuesday December 5 1989

CIVIC FORUM SEEKS OPPOSITION COALITION

Fresh challenge to Czech Communist Party

By Leslie Colitt in Prague

CIVIC FORUM, the Czechoslovak opposition movement, said last night that it would transform itself into a political party and offer coalition talks with all non-Communist parties in order to form a government.

The new challenge to the ruling Communist Party came as more than 250,000 demonstrators filled Prague's Wenceslas Square in an angry protest against the Communist Party's domination of the country's proposed new government.

The demonstration was called by Civic Forum to protest about the Communist-dominated government announced at the weekend by Mr Ladislav Adamec, the Czechoslovak Prime Minister.

Mr Vaclav Maly, a leading opposition figure, told the crowd that Civic Forum would establish its own "political structure."

The call for an anti-Communist alliance appeared to be aimed to encourage the small but influential Socialist and People's Parties – which joined the coalition with the Communist Party in the weekend Cabinet changes – to break formally with the Communist leadership. The two smaller parties were each allotted one member in the 20-member Communist-dominated Cabinet named on Sunday.

Significantly, Mr Maly spoke to the crowd from the balcony of the headquarters of the widely read Socialist Party newspaper, Svobodne Slovo, which offered Civic Forum speakers a platform when the opposition held its first rallies two weeks ago.

Mr Jiri Muller, the Socialist Party spokesman, said: "Civic Forum is saying join us, we are the new government." It would be difficult for the Socialist Party leadership to resist the offer, he added.

The Czech opposition move has parallels with the coalition offer made earlier this year by the Solidarity movement when it offered to form a coalition government with Poland's Peasants Party. That alliance led eventually to the first non-Communist government in Eastern Europe.

The good-natured crowd in Wenceslas Square repeatedly called out "Demisi" (resign) and applauded calls for a general strike next Monday if the Government did not step down by then. A general strike last Monday led to the resignation of Mr Adamec's previous government. Tens of thousands of inhabitants of Bratislava held a similar rally.

Demonstrators in Prague also demanded that President Gustav Husak reconsider his position and resign.

Czechs well-placed, Page 3

UK underlines tight money, firm pound

By Peter Norman, Economics Correspondent, in London

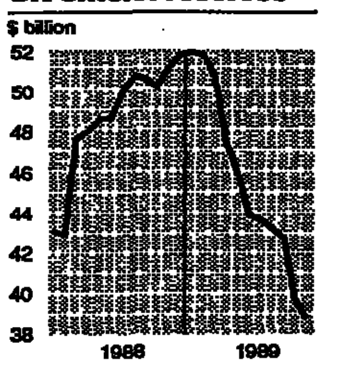
MR JOHN MAJOR, Britain's Chancellor of the Exchequer, yesterday underlined that he wanted a firm exchange rate for the pound with a tight fiscal and monetary policy to combat inflation.

However, in a masterly demonstration of how not to give any hostages to fortune, he left the members of the House of Commons Treasury and Civil Service Committee in the dark about what he meant by a firm exchange rate.

It was Mr Major's first experience of being grilled by the committee of MPs from the three main parties since he succeeded Mr Nigel Lawson just over five weeks ago, and the late afternoon session in a stuffy committee room was a graphic illustration of the new style of Chancellorship.

Mr Major avoided his predecessor's occasional lapses into heavy sarcasm. He charmed the committee early in the session by admitting that the Government had made mistakes by easing monetary policy after the stock market crash of October 1987 and giving too long a deadline in the 1988 Budget for scrapping multiple tax relief on single home loans, a move which spurred a summer boom in house purchases and prices.

UK official reserves



Whereas Mr Lawson often gave the impression that he had better things to do than tell MPs about his policy, Mr Major was unfailingly polite.

But like the banker that he had once been, he showed that he was adept at saying no.

He was asked what constituted a firm exchange rate. It was "impossible and undesirable" to define this.

He was asked about sterling's 50 pfennig fall against the D-Mark since February. Maintaining a firm exchange rate did not mean being "rigid against each and every currency," he said.

Mr Major conceded that a "fall in the exchange value of the currency for a material period of time would loosen monetary conditions and have an effect on inflation." But he then declined to define a material period of time.

Major: adept at saying no

As if to add to the confusion, he pointed out that the pound's value, measured on the Bank of England's exchange rate index, was "within a whisker" of the rate at the beginning of 1987.

Throughout the session, the Chancellor repeated the new Treasury mantra that interest rates would be fixed in the light of the exchange rate, monetary aggregates and other factors.

Mr Major stressed that the UK needed a firm policy framework. However, in the same breath he said he was disinclined to close down any of the policy options open to him.

When reminded that the Conservative Government in its early years had devised a medium-term financial strategy to guide its actions, he observed that there would have to be changes of emphasis from time to time.

The economy, he said, was moving and fluid. Perhaps inspired by the Malta superpower summit, he said running it was "something like surfboarding in a fairly heavy sea."

But Mr Major did add one or two small items to what is known of his views.

He said the Government's policy was not to liquidate the national debt, merely to stop it rising. He rejected the idea of an incomes policy as unsustainable, unfair, unworkable and sure to be bypassed.

The Chancellor also made clear that further rises in bank base rates from their current 15 per cent level should not be ruled out.

Reserves fall hints at less intervention, Page 10; Bruges group urges UK refusal of EMS, Page 9.

National Front shows force in French poll

By Ian Davidson in Paris

FRANCE'S extreme right-wing National Front party has given spectacular proof that it is still a force to be reckoned with. It had an an overwhelming victory in one by-election on Sunday and a close-run defeat in another.

In the constituency of Dreux, west of Paris, Mrs Marie-France Stirbois won 61.3 per cent of the vote, far ahead of her Gaullist rival. In Marseilles' second constituency, the seat was narrowly held by Mr Jean-Francois Mattei, the centre-right candidate, with 52.8 per cent of the vote, but the 47.4 per cent secured by Mrs Marie-Claude Roussel of the National Front is an important shot in the arm for the party of Mr Jean-Marie Le Pen.

In both constituencies the National Front fought an unashamedly anti-immigrant campaign and benefited from popular feelings against the Arab community in France.

These feelings have been magnified by the long-running controversy about three Moslem schoolgirls who wished to wear traditional head-scarves in school, touching off intense political debate over the secular tradition in French schools.

Coincidentally, on Saturday, the eve of polling, two of the girls admitted defeat and went to school without scarves.

Sunday's vote overstates the national standing of the National Front by a wide margin because these are two constituencies where the party was particularly well placed. In Dreux it achieved national notoriety in the 1983 municipal elections when it formed a pact with the Gaullists and has retained a strong local presence since; and Marseilles has been fertile ground for anti-immigrant campaigning because of the large Arab community there.

Moreover, the effects of Sunday's by-elections for the time being will be more symbolic than practical. In last year's general election, the National Front secured only one seat in the National Assembly, but lost it shortly thereafter when its sole deputy, Mrs Yann Piat, defected from the party. Mrs Stirbois will therefore be the Front's only member in the National Assembly.

Nevertheless, traditional parties of right and left have been seriously shaken by evidence thrown up by these by-elections, as well as by recent opinion polls, that anti-immigrant feeling is more potent than had been generally supposed.

One indicator is the fact that in both constituencies Sunday's second-round run-off vote was between the National Front and one of the traditional conservative parties. In last year's general election, both contests took place between the traditional conservative parties and the Socialists. The fact that the governing Socialist party was driven into third place in the first round of voting, and so excluded from Sunday's run-off, suggests a significant proportion of voters feels the Socialists are "soft" on immigrants.

In Dreux, according to a poll in the Figaro newspaper, immigration was much the most important issue, identified by 48 per cent of voters. Moreover, 10 per cent of Socialist voters and 16 per cent of Communist voters swung behind the National Front candidate in the second round.

Mr Michel Rocard, the Prime Minister, has responded to the wave of anti-immigrant controversy by setting up an inter-ministerial committee to intensify efforts to promote integration of immigrants in French society through social security provisions, training and job creation.

He has rejected a demand to set up a Ministry for Immigrants.

Philippines rebels will free trapped businessmen

By Our Foreign Staff

HUNDREDS OF tourists and businessmen trapped in hotels in Manila by fierce fighting between rebel troops and loyalist forces will be released today, the mutineers said last night.

The announcement, which came amid reports of food and fuel shortages in the capital, sidestepped a Government call for a temporary ceasefire so that it could evacuate the foreigners caught in the Makati business district of Manila, where the rebels are holding out against attempts to crush them.

The rebels said the decision to let the foreigners leave did not mean they were giving up the battle which began in a coup attempt against President Corazon Aquino's Government on Thursday night. Capt Alfred Yen, a rebel spokesman, said: "We pledged our lives to this cause. We will hold the line to the last drop of our blood."

The statement said foreigners would be free to leave the hotels, including the Intercontinental and the Mandarin Oriental, at 10am local time and would be taken to Manila airport aboard shuttle buses. About 215 US citizens and 300 Japanese were also believed to be in the Makati hotels – together with about 20 West Germans plus another 50 in an apartment building. About 100 Canadian tourists and businessmen were trapped in hotels and apartments.

The rebels control 22 buildings in central Manila. Last night, those holding positions inside the hotels and on high-rise business buildings continued to fire on government troops who brought up tanks to face rebel armoured cars in the surrounding streets.

About 400 rebels were also still occupying Mactan Air Base in Cebu, 560km south of Manila. Their leader refused to surrender and threatened to blow up all the aircraft on the base if government troops attacked.

Manila's international airport reopened yesterday but domestic air services were cancelled indefinitely. Schools were closed, but government employees were ordered to return to work except in the Makati area.

THE LEX COLUMN

Cracked eggs in Asda's basket

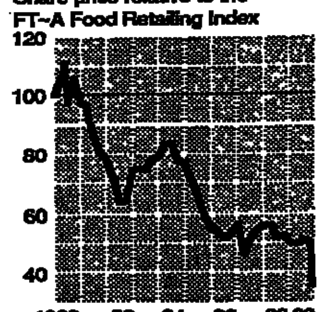
The one good thing about yesterday's profits warning from Asda is that it seems not to carry a message about food retailers overall. Asda's problems are sadly specific: clothing and footwear, where sales are down: carpets and furniture, where profits are down by rather more: and MFI, which instead of a budgeted £17m will make no profit this year at all. Above all, the nationwide food distribution network seems in management terms to have been a disaster. It is not a good omen for a company now grappling with perhaps the biggest management job in its history, the Gateway superstores.

It is also worrying that Asda went through the process of lowering brokers' forecasts as recently as October, without apparently grasping the scale of the problem. It now finds itself in the curious position of announcing a 25 per cent fall in interim profits 10 days ahead of the figures themselves. The inclusion of the Gateway stores should ensure that the second half will be at least as bad again.

After yesterday's 13 per cent drop in the share price to 117p the multiple is around 11, compared with 13 or 14 for Tesco and Sainsbury. It is not clear Asda deserves even that. The net asset value of just over 90p per share might previously have been understated. Now that the Gateway stores have been included at cost rather than likely value, it is probably about right. And while a bid would doubtless succeed, it is not clear who would risk finding out the full scale of Asda's problems the hard way.

Asda

Share price relative to the FT-A Food Retailing Index



NEI/ABB

There is a neatness about NEI's joint venture in power generation with Asea-Brown Boveri which deserved a better reaction than yesterday's 1p fall to 165p in the share price of Rolls-Royce, NEI's owner since the summer. Short-term, the joint venture's results may hardly register in Rolls-Royce's earnings; it is still early days for National Power and PowerGen in planning for the cheap "combined cycle" gas-and-steam turbine power stations which NEI/ABB hopes to be equip. But reinvigorating NEI was always going to be a long job after a decade of zero earnings growth.

From ABB's point of view the deal has obvious attractions, giving it access to the UK's privatised electricity industry and another battlefront on which to combat GEC-Alsthom and the US General Electric. As for NEI, the rationale for its own formation back in 1977 was to create an integrated power generation company; it was starting to look sadly incomplete without the gas turbine capability which ABB provides. NEI had a previous gas turbine joint venture with Mitsubishi, which has now been discreetly ditched, at least as far as UK sales are concerned. One assumes the explanation lies in ABB's role in equipping some 60 gas turbine stations worldwide.

As for the stock market, the joint venture will obviously not, by itself, reverse the severe recent underperformance of Rolls-Royce's shares: that has more to do with factors like the UK engineering industry dispute than with worries about the NEI merger. But it is a step in the right direction.

British Aerospace

Yesterday's 4 per cent fall in the British Aerospace share price might seem an odd response to further evidence of the company's prowess as deal-maker. The debated £38m, after all, would scarcely cripple BAe, even if repayable in full. But the market is more concerned about the £150m purchase price for Rover, thought to have been paid long ago. A round sum of nearly £200m deducted from BAe's cash flow starts to look more formidable, particularly at a time when the payments on the Saudi contract are looking less than secure.

By yesterday's close the market was soothing itself with thoughts of BAe's fundamentals: at 507p, a current year multiple of 8, a yield of 6 per cent and a discount to stated net asset value of some 40 per cent. But the shares will always be on a switchback. The furore over asset values, after all, has rather disguised the question of what happens to Rover if the trading goes wrong.

M & G

The independent fund management sector is still thriving, judging by M & G's figures yesterday. A 40 per cent increase in funds under management and a net unit trust inflow of £277m indicates perhaps a flight to quality by small investors after the 1987 crash; but it also illustrates that it is still possible to prosper via the independent intermediaries. The fact that M & G's costs are at the low end of the scale must help, but its long-term record allows intermediaries to point to reassuring statistics when advising clients. Now that Mr Bond is gone, there is no bid speculation surrounding the group; the shares, assuming 33p of earnings this year, are in line with the market on a prospective p/e of 11.5. Since fund managers' profits are geared to the index, any sign of a premium rating would also be a sign that the bulls are back in control of the equity market.

TVS

The settlement between TVS and Arthur Price may be too little and too late to save the company's deal-making reputation, but it at least sets a good example for others when acquisitions go wrong. Mr Price received $104m in cash when TVS bought MTM for $325m last year; to have the former CEO take $4m in severance money and 10 per cent of the equity as well would have added insult to shareholders' injuries. MTM is set to lose $25m this year and its perceived value can be judged by the fact that TVS's market capitalisation is now less than it was before the acquisition.

Even success for MTM in creating new shows will burden TVS with additional costs; hence the planned introduction of a substantial shareholder in the US company. TVS will need all the funds it can get if it is to fight off bidders for its lucrative advertising market in 1991. Sadly the acquisition of MTM, designed to strengthen its challenge, has only weakened it.

Japanese tiptoe into Eastern Europe

Continued from Page 1

the family of Western democratic nations. So officials do their best to show how Japan's interests are affected even in a region where Japan has in the past had very little contact.

The Government's biggest financial contribution announced so far is a $150m low-interest loan to a $1bn fund being established by Western countries to support economic reform in Poland. Japan has also committed itself to food aid for Poland, plus technical and managerial assistance for Poland and Hungary.

However Eastern Europe's real need is for the much larger amounts of capital and technology in the hands of private industry. So, the most useful element of Japanese government support will be low-interest loans and guarantees from the Japan Export-Import Bank, which Tokyo has promised to increase in order to stimulate trade and investment.

Banks say they will will be careful about lending money without the backing of government guarantees. Poland, with debts of some $39bn, owes just $1bn to Japan. But Tokyo will not extend new credits until Poland completes negotiations on a rescheduling deal with its creditors and reaches agreement on its economic reform plan with the International Monetary Fund.

Hungary too is in the middle of negotiations with the IMF. Even though it owes Japan some 40 per cent of its $17bn hard currency debt, Japanese banks are more positive about Hungary because they believe the country is much more able than Poland to service debt through export earnings.

Because economic ties with Eastern Europe are weak, there is little for Japanese businessmen to build on. Trade with Eastern Europe (excluding the Soviet Union) last year amounted to just $1bn, or 0.4 per cent of Japan's overall trade, compared with $23.9bn and 5.3 per cent for West Germany.

Japanese companies have only 12 joint ventures in Eastern Europe, out of a total for Western countries of about 170, according to the Japanese Ministry for Foreign Affairs. Nevertheless, Mr Morita, of Sumitomo, believes that from this small beginning, trade and the number of joint ventures could double in 1990.

Japanese businessmen are particularly interested in small-scale deals with Hungary, often involving importing into Japan Hungarian farm goods. One of the most successful current ventures is an old-established business importing Hungarian honey.

Beyond this, there is the tantalising prospect that one or both of two joint ventures for car plants, which have been under discussion for several years, might come to fruition.

They are Suzuki's plan for a $150m assembly plant near Budapest, and a $750m project by Daihatsu for a factory in Poland. Both companies are cautious about the prospects.

Suzuki says the chances of going ahead were 50:50.

EC clears road on haulage

Continued from Page 1

month the Commission is not likely to make any allowances in the case of Rover. The French Government was in breach of an agreement with the Commission and has been threatened with the repayment of FFr12bn ($1.97bn).

The commission is likely to reopen the question of the price paid only if it can establish objective grounds for a higher valuation. Because the original agreement contained a large subjective element, officials seem reluctant to return to the issue in the absence of clear evidence.

The disclosures over Rover come just as the Commission is embarking on a new, tougher state aids policy, which it is to present to officials from member states tomorrow.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	•	53	C	Dubrovnik	S	11	52	Malta	F	19	66	Rhodes	S	15	59
Algiers	C	18	64	Edinburgh	Fg	0	32	Manchester	Fg	3	37	Rio de J'o			
Amsterdam	C	2	36	Faro	C	16	61	Manila	F	30	86	Rome	S	12	54
Athens	S	12	54	Florence	S	7	45	Melbourne	F	17	63	Salzburg	S	3	37
Bahrain	F	26	79	Frankfurt	S	1	34	Mexico City				San Francisco	S	7	45
Bangkok				Funchal	F	20	68	Miami	S	8	46	Seoul	S	8	46
Barcelona	F	10	50	Geneva	C	0	32	Milan	S	8	46	Singapore	•	-	-
Beirut	•	-	-	Gibraltar	R	16	61	Montreal	S	-18	0	Stockholm	S	1	34
Belfast	C	5	41	Glasgow	Fg	-2	28	Moscow	H	1	34	Strasbourg	C	-5	23
Belgrade	S	0	32	Guernsey	S	8	46	Munich	S	0	32	Sydney	C	19	66
Berlin	C	3	37	Helsinki	S	-1	30	Nairobi	S	24	75	Taipei	F	25	77
Biarritz	S	11	52	H. Kong	S	22	72	Naples	S	13	55	Tangier	R	17	63
Bordeaux	S	11	52	Inverness	C	6	43	New Delhi	S	20	68	Tenerife	C	21	70
Brussels	S	-1	30	Islamabad	F	20	68	New York	S	-9	16	Tokyo	S	19	66
Budapest	Fg	-5	23	Istanbul	S	7	45	Nice	S	14	57	Toronto	F	-18	0
B. Aires	F	25	77	Jakarta	•	•	-	Nicosia	S	15	59	Tunis	R	15	59
Cairo	F	17	63	Jersey	S	6	43	Oporto	C	13	55	Valencia	C	13	55
Cape Town	F	21	70	Jo'burg	S	26	79	Oslo	S	6	43	Venice	S	8	46
Caracas		26	78	Lima	•	-	-	Paris	S	2	36	Vienna	Fg	-3	27
Casablanca	C	21	70	Lisbon	C	14	57	Peking	S	9	48	Warsaw	C	1	34
Chicago	F	-4	25	London	C	5	41	Prague	S	-1	30	Washington	S	-6	21
Cologne	S	2	36	Los Angeles	S	13	55	Reykjavik	Dr	9	48	Zurich	C	-2	28
Copenhagen	S	6	43	Luxembourg	S	5	41								
Corfu	S	17	63	Madrid	C	9	48								
Dallas	S	-1	30	Majorca	C	15	59								
Dublin	C	6	43	Malaga	R	14	57								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain
S-Sun Sl-Sleet Sn-Snow T-Thunder

Nato agrees on reunification approach

Continued from Page 1

Social Charter ahead of the EC summit in Strasbourg.

Stressing that the US would remain a European power, Mr Bush said: "The transatlantic partnership can create the architecture of a new Europe and a new Atlanticism."

Specifically referring to the forthcoming Strasbourg summit, Mr Bush said: "The events of our times call both for a continued, perhaps even intensified, effort of the 12 to integrate and a role for the EC as a magnet that draws the forces of reform forward in Eastern Europe."

Mr Bush argued that the 35-nation CSCE framework, which produced the 1975 Helsinki Final Act (on economic co-operation, human rights and borders) would now play a greater role in the future of Europe. He suggested breathing life into its economic aspects "by focusing on the practical questions involved in the transition from stagnant planned economies to free and competitive markets."

But Mr Bush brushed aside a proposal from Mr Gorbachev for a new conference, or congress of Europe, for fear that it would divert attention from more immediate priorities. He said that the prime objective of any 35-nation meeting should be to sign an ageement on reducing conventional forces in Europe.

He told the other Nato leaders that he would "kick our bureaucracy" to get a troop reduction agreement in Vienna and urged them to do the same

FINANCIAL TIMES
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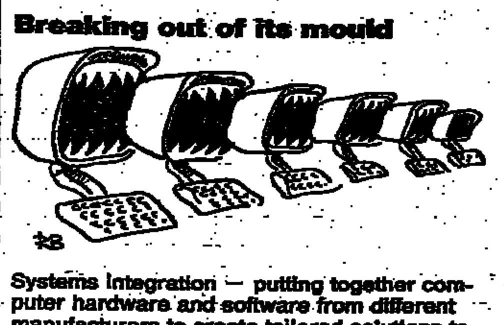
INSIDE

LIN Broadcasting warms to McCaw

It appears that after weekend talks, LIN Broadcasting is warming to an improved takeover offer from McCaw Cellular Communications that values the New York company at around $6.6bn. Having fought McCaw's takeover bid by trying to merge with the cellular telephone interests of BellSouth, LIN now appears more attracted to McCaw's raised bid. Page 21

Breaking out of its mould



Systems integration — putting together computer hardware and software from different manufacturers to create tailored solutions to customers' data processing problems — is a fast growing and intensely competitive area in information technology. So much so that analysts believe that only a few very large companies will survive in the next decade. Why, then, is Computer Sciences Corporation, a large but low-profile California-based information technology company which works chiefly for the US Government, looking to break out of its federal systems mould and into the integration market? Page 22

What's yours called?

Apart from the likes of Elizabeth Taylor, most people do not have the wherewithal to buy diamonds very often. When they do, they might pay a little more than the market price to have a stone of a guaranteed quality and size, from a big, known producer. So runs Argyle Diamonds' argument for introducing diamonds with brand names. Argyle, the world's largest diamond producer in volume terms, has found from test marketing in Australia that buyers are willing to pay a premium of up to 25 per cent for a named Argyle gem compared with a similar unbranded diamond. Page 34

Call for helicopter buyers

Although Westland Group reported a 19 per cent increase in pre-tax profits for the year to September, to £20.7m from £17.4m, the helicopter group has seen a fall in new orders, despite an increase in non-military business. Mr Alan Jones, chief executive, pointed out that firm orders from the Ministry of Defence for the EH101, the naval and utility helicopter Westland is developing jointly with Agusta of Italy, were not expected for another 12 to 18 months — and that it was also uncertain when Saudi Arabia would order the Sikorsky-licensed Black Hawk helicopters that it is due to buy. Page 25

Big players show their mettle

Political, economic and technical grounds combined to give world stock markets a boost, with Europe, Japan and the US rising by 2.7, 2.4 and 1.8 per cent respectively. The result was a 2.15 per cent rise in the FT-Actuaries World Index, the best performance for nearly a year. Page 46

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Bayer-Hypo	397	+	8	CSEE	345	+	30.5
Daimler-Benz	698	+	26	GTM Entrepose	1174	+	70
Didier-Werke	278	+	8	Jean Lefebvre	1201	+	75.4
Hapag Lloyd	360	+	10.5	Pellet	661	+	37
Rosenthal	347	+	14	**Falls**			
Schering	781	+	8	CFF	180	—	8.6
NEW YORK ($)				Roussel	2200	—	97.5
Rises				**TOKYO (Yen)**			
AMR	67	+	1½	**Rises**			
Campbell Soup	51½	+	1½	Chori	1630	+	180
Pinnacle West	5⅞	+	⅝	Daisue Cons	1640	+	200
UAL	180½	+	8½	Eagle Inds	1530	+	200
Falls				Miyaji Cons	2000	+	300
Kellogg	68¾	—	2⅛	Nissan Cons	1470	+	200
XL/Datacomp	10½	—	2⅝	Toa Valve	800	+	85

New York prices at 12.30

LONDON (Pence)							
Rises				ASDA	117	—	18
BICC	457	+	9	Avon Rubber	430	—	8
BTR	453	+	10	Brit Aero	507	—	21
Calor	428	+	11	Cable & Wire	513	—	12
Eurotunnel	613	+	15	Cadbury	347	—	9
Green (J)	100	+	7	Comm Union	493	—	6
Metal Closures	172	+	4	GRE	237	—	10
Polly Peck	391	+	5	Rowntree	473	—	10
Reuters	954	+	16	Saatchi	259	—	15
SmithKline	593	+	9	Sun Alliance	318	—	9
Falls							

Three Danish banks to merge

By Hilary Barnes in Copenhagen

THREE Danish banks — Privatbanken, SDS and Andelsbanken — with combined assets of about DKr300bn ($43m) and equity of DKr18bn, announced their merger yesterday in the second such move within a month.

The new bank will be known as UNI BankDanmark (UBD).

Three weeks ago the two largest commercial banks, Danske Bank and Copenhagen Handelsbank, announced a merger. The new Danske Bank will also have equity capital of about DKr19bn, with assets of about DKr320bn.

Together, UNI BankDanmark and Danske Bank will have a market share of about 55 per cent.

Two other Danish financial services sectors are dominated by just two companies: Baltica and Hafnia in insurance, and Nykredit and Kreditforening Danmark in mortgage credit.

Alliances or mergers to create broad financial service groups are expected — indeed, they were predicted at the UBD press conference yesterday.

The UBD banks have different backgrounds, but Mr Steen Rasborg, chief executive of Privatbanken — also to be chief executive of UBD — was at pains to stress that all three are committed to a decentralised organisation and management structure, and have close cultural affinities.

Privatbanken, with assets of DKr113bn at mid-year, has large corporations as its main customers.

SDS — assets DKr114bn — which was a savings bank until its conversion to joint stock status in August, has private customers as its strong base, while Andelsbanken, with assets of DKr69bn, has connections with the agricultural co-operative movement.

UBD will have about 15,000 employees to Danske Bank's 12,200, and 770 branches compared with Danske's 550.

UBD will be owned through a holding company, UBD Holding. Andelsbanken shares will be converted in a ratio of six for seven UBD shares; Privatbanken one for one; and SDS one for one plus DKr9 in cash per share.

This share exchange is on the basis of the average market price over the past month.

The bank will have an unusual ownership structure, based on that at SDS.

Regional shareholder associations, of which there will be 71, will elect a council of representatives.

This will elect the supervisory board, which will in turn choose the management board.

ABB in UK power station venture

By Nick Garnett in London

THE BATTLE between equipment makers to build the UK's next generation of power stations intensified yesterday when Asea Brown Boveri and Northern Engineering Industries announced the formation of a joint venture to market equipment for small stations.

ABB, the Swiss-Swedish electrical group, and NEI will jointly engineer and market in Britain so-called combined cycle and co-generation stations which are likely to be the most common type of new power plant in the UK over the next decade.

The UK Government's recent decision to shelve plans for three nuclear stations, following the abandonment of three other projects for large coal-fired stations, means that smaller combined cycle (gas and steam turbine) and co-generation (heat and electricity) stations will become more popular.

The deal gives ABB, the world's biggest power engineering group, direct access for the first time to the UK's power station market. It will also bolster the position of NEI, which is a subsidiary of Rolls-Royce, as an equipment supplier for small stations.

The deal will intensify the competitive pressure on other UK power station contractors such as GEC-Alsthom, Hawker Siddeley and John Brown. This is one of several blows GEC-Alsthom has had in the power sector in the past few weeks.

The 50-50 venture between ABB and NEI will be called NEI-ABB Gas Turbines and will be a separate company with a small headquarters staff based in Newcastle upon Tyne, NEI's headquarters.

The business, which will also market ABB's anti-pollution kit for power stations, will be under the chairmanship of Mr Robert Hawley, NEI's managing director. It will sell stations in the UK and Commonwealth countries but not in continental Europe.

ABB will supply gas turbines above about 35 megawatts. Rolls-Royce, through NEI, will provide gas turbines below this rating. NEI will be linked to a company with proven co-generation and combined cycle technology — ABB has built 60 combined cycle plants around the world; NEI has supplied only one combined cycle station — in Bahrain.

NEI hopes to manufacture equipment such as turbines and boilers for stations sold through the joint company.

As part of ABB's recently agreed $1.6bn bid for Combustion Engineering of the US — a deal still to be ratified — ABB will take control of the US group's 35 per cent stake in NEI International Combustion, NEI's Derby-based boilermaking arm.

Lex, Page 18

GEA in Germany's biggest share issue for three years

By Andrew Fisher in Frankfurt

WEST GERMANY'S biggest public share offering for three years will take place this week with the DM775m ($435m) issue of stock in GEA, a Ruhr-based engineering company which specialises in energy-saving and anti-pollution systems.

The share issue, the largest since the DM750m flotation by the Government in 1986 of 40 per cent of the energy, chemicals, and aluminium concern Viag, will involve 62.5 per cent of GEA's capital.

However, the Happel family shareholders will retain control with three quarters of the voting stock.

The public will be able to subscribe for voting shares at a price of DM540 each and preference shares at DM485.

The issue will be led by Commerzbank, which said that GEA should produce earnings of DM36 a share in 1990, producing a price-earnings ratio of 15 for the voting shares and 13.5 for the preference.

Mr Kurt Hochheuser, a director of the bank, said this compared favourably with a general price/earnings ratio of at least 16 for German mechanical engineering stocks.

GEA has subsidiaries in 12 countries outside Germany. It employs some 5,500 people and will have a group turnover of around DM1.2bn this year, rising to DM1.4bn in 1990.

Commerzbank said high growth rates were forecast for the next few years, following rapid expansion in the 1980s. Mr Hochheuser said this had been financed from GEA's own resources. GEA expects a net profit margin of 6 per cent next year against 5.8 per cent in 1989.

The share offering reflects the wishes of the family shareholders to introduce outside capital after turnover has nearly doubled in five years. "The family now has too much control for a company of this size," said Mr Otto Happel, head of the supervisory board, in April.

GEA has bought 17 companies in the last eight years, just missing the opportunity to double its size last year when it was outbid for a desulphurisation company with sales of DM900m.

Much of its foreign business is in industrial air coolers, where it claims a world market share of 40 per cent against 8 per cent for its nearest rival.

Mr Happel said it was now looking harder at acquisitions outside Germany, especially in the US and Britain.

In April Mr Happel stated his intention of adding a fourth division to the company, in machine building and electronics, through acquisition. The other three divisions are heat and energy technology, air conditioning and refrigeration and food processing systems.

Trevor Humphries

Bob Bauman unveiled a 12 per cent increase in pre-tax profits for the nine months to September 30 in the first results since the company's formation in July as a result of a merger between the US's SmithKline Beckman and Beecham of Britain. He said the figures "showed a continuation of business momentum" and added that he felt good about the process of integration.

SmithKline alters sell-off plan

By Peter Marsh in London

SMITHKLINE Beecham, the Anglo-American pharmaceuticals and consumer-products company, has dropped its plans to sell its cosmetics division in a single unit. It also says it will accept less than the mooted going price for the division of £600m ($936m).

Mr Bob Bauman, SmithKline's chief executive, made the announcement yesterday while unveiling a 12 per cent increase in pre-tax profits for the company for the nine months to September 30.

The results were the first for the company since its formation in July as a result of a merger between the US's SmithKline Beckman and Beecham of Britain.

Profits from continuing operations at the taxable level rose to £587.3m for the nine months, from £524.3m for the corresponding period last year. Sales increased by 16 per cent from £2.71bn to £3.15bn.

The first interim dividend for the company is 2p, covering the five months from July to December. SmithKline will declare a second interim dividend on March 15 payable on April 17.

Mr Bauman said he had been disappointed at not being able to find a buyer for the cosmetics unit since it was put up for sale after the merger. SmithKline says it wants to get out of cosmetics to concentrate on pharmaceuticals, in which it is among the world's top five companies counting both prescription-only and over-the-counter drugs.

Instead of selling the cosmetics division in one piece, SmithKline has split it into two units, covering the UK and continental Europe. These have annual sales of roughly £240m and £160m.

Mr Bauman said that leading cosmetics manufacturers, such as the Anglo-Dutch Unilever, Revlon of the US and France's L'Oreal, had been slow to show an interest. None the less, he hoped to conclude the sale by early next year.

He blamed "a difficult environment for deals" as the reason the sale had not gone ahead. Analysts believe SmithKline may receive only £400m-£500m for the unit.

Regarding SmithKline's progress since the merger, Mr Bauman said he was "feeling good" about the process of integration. The results for the first nine months "showed a continuation of business momentum".

SmithKline has about 150 teams of managers studying the activities of the former SmithKline Beckman and Beecham operations and deciding how to bring them together.

SmithKline did not yesterday break down profits from the different divisions of the merged company.

But it said that sales of pharmaceuticals had increased for the nine months by 15 per cent, to £1.6bn from £1.4bn last year. There had been an especially good performance in the US from Tagamet, the company's big-selling ulcer drug.

BTR will pursue flotation in US

By Andrew Bolger in London

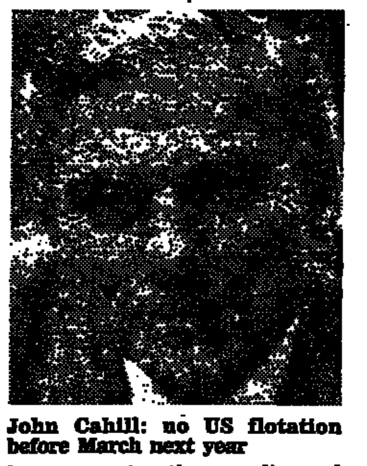
BTR, the industrial conglomerate which is one of Britain's biggest companies, said yesterday it was pursuing plans to float off its US activities.

However, Mr John Cahill, chief executive, said he did not expect to make any moves concerning a flotation before BTR reports on its full-year results in March.

BTR is keen to repeat the success of Nylex, its 62 per cent owned Australian subsidiary, which in the first six months of this year reported a 113 per cent increase in after-tax attributable profits to $173m.

Analysts believe that a quoted subsidiary would allow BTR to raise its profile in the US and to raise cash on Wall Street to fund further acquisitions.

Mr Cahill said the companies to be included in any US flotation would be the BTR paper and valve groups and Tilcon Holdings, a construction supplies and aggregates company.



John Cahill: no US flotation before March next year

Mr Cahill estimated that these companies would fetch £1.5bn-£2bn ($2.3bn-$3.1bn), compared with BTR's overall value of £7.5bn. He added that the selection of other US companies to be put in the flotation would depend on whether they would be rated at a premium to the market.

BTR could obtain a quote by acquiring a US company, using equity to fund the purchase. Speculation has centred on Owens-Illinois, a leading bottle manufacturer, which is owned by Kohlberg Kravis Roberts, the US leveraged buy-out specialist which has filed for permission to buy up to 15 per cent of BTR.

However, Mr Cahill said he did not envisage BTR's US flotation plans involving KKR — which did not have "even a toehold" on BTR's shares register. He did not think KKR would sell Owens-Illinois, which had been taken private and would not immediately provide a quoted vehicle.

Asda warns of sharp profits fall

By Maggie Urry in London

ASDA GROUP, the UK food retailer, said yesterday that its interim pre-tax profits would be 25 per cent lower than the £109m ($170m) made in the first half of last year. It also warned that group pre-tax profits for the full year would be "significantly below" last year's £246.6m. The shares fell 18p to 117p, a drop of 13.3 per cent.

Mr John Hardman, chairman, said he was disappointed, but added: "We are over 21, and there is no use crying about it."

He blamed the downturn on difficult trading conditions for non-food items, such as clothing and footwear, which make up about 30 per cent of the business in the Asda stores, and the carpet and furniture retail business of its Allied Maples subsidiary and its MFI Furniture Group associate.

He also said that efficiency levels in the group's new fresh food distribution system had been lower than planned, and that the late completion of the acquisition of 61 Gateway superstores, bought for £705m from Isosceles, the new owner of Gateway, would hit second-half profits.

Asda said it would at least maintain its interim dividend and remained confident of the strategic direction of the business and looked forward to a good recovery.

The company also announced a property deal which will raise cash of £275m net for the group.

This will bring down the group's balance sheet gearing from 116 per cent to 73 per cent. Mr Hardman said he aimed to reduce gearing to 40 to 45 per cent by the end of the 1990-91 financial year.

Elsewhere in the retail industry, a cut in profit forecasts for Ratners, the jewellery retailer, from two stockbrokers knocked 20p off the shares to 251p.

Stockbrokers said they had expected Asda's profits to fall in profits in the current year, for Asda, but not by as much as was implied in yesterday's statement. They are now looking for pre-tax profits of £180m to £185m for the year, against £246.6m in 1988-89.

Mr Hardman said that sales in the Asda superstores were up 11 per cent in the first half of the year, but that pre-Christmas trading was sluggish, particularly for beers, wines and spirits and non-food lines.

Operating profits of Asda Stores would be unchanged in the first half, he said. Changes in accounting policies and lower pension fund contributions would benefit first-half profits by £8m.

In the second half, he said the new ranges of clothing from the George Davies Partnership, to which will be launched in February, should improve profitability, though initially they would mean a £3m exceptional charge.

Lex, Page 20

Head of Beijer Industries to take company private

By John Burton in Stockholm

MR ANDERS WALL, the Swedish financier, plans to assume private ownership of Beijer Industries, a listed industrial group he already controls, by making a SKr2.9bn ($455m) tender bid through one of his associated companies, Kongsbo Industries.

Mr Wall said that taking Beijer private would guarantee his continued control of the company and give him management freedom to pursue long-term projects.

The change would also lower his wealth tax and reduce the eventual inheritance tax for his family. The wealth tax on non-listed shares is lower than on listed ones.

Yesterday's announcement had been preceded by extensive trading in Beijer's shares in recent weeks, promoting speculation about insider trading. Sweden's Bank Inspection Board, which polices the country's securities markets, is expected to investigate the transactions at the request of Mr Wall.

The deal will not immediately affect Beijer Industries' operations and management. The company, which had a turnover of SKr4.7bn in 1988 and projects worth SKr5bn in 1989, manufactures laboratory equipment and various industrial products and distributes industrial and specialty chemicals.

The tender offer by Kongsbo, a small trading company 85 per cent controlled by Mr Wall, includes a bid of SKr175 for B shares and convertible participating notes, SKr195 for A shares and SKr220 for C shares.

The offer is about 20 per cent above Beijer's average quoted price on B shares over the last 60 days. Beijer Industries closed at SKr161 last Wednesday before trading was suspended.

The offer is contingent upon it gaining more than 90 per cent of all shares and votes. Mr Wall already controls 35 per cent of the shares and 43 per cent of the votes in Beijer Industries. Those accepting the offer so far have 55 per cent of the shares and 79 per cent of the votes.

The bid will be financed through SKr600m of Mr Wall's own capital and a SKr2.3bn loan from Svenska Handelsbanken, with whom he has traditionally been affiliated.

The offer is the latest step in a reorganisation of his holdings that Mr Wall has undertaken in the last few years. In 1987, he consolidated his industrial operations into Beijer Industries, while placing his financial service operations into Beijer Capital, which remains a listed company.

Row grows over Lisbon insurance sell-off

By Patrick Blum in Lisbon

THE part-privatisation of Companhia de Seguros Tranquilidade, one of Portugal's leading state-owned insurance companies, has brought to a head a fierce battle between Portuguese and foreign investors for a controlling stake in the insurer.

In the weeks before yesterday's flotation on the Lisbon stock exchange of 49 per cent of Tranquilidade's shares, several groups of investors have been fighting publicly and behind the scenes to establish a leading position in the company.

The battle has centred on the efforts of the Espirito Santo group, representing Tranquilidade's former owners, to regain control of the company that was nationalised during the 1975 revolution.

Other Portuguese groups and one as yet unnamed foreign company, thought to be French, joined in the battle for what is considered one of the most attractive companies on offer so far in Portugal's privatisation programme.

These efforts reached a climax last week as subscription rights to shares, allocated to the company's employees or set aside for small local shareholders, were bought up by undisclosed investors at around twice their value.

These transactions took place on the streets of Lisbon or in discreet offices amid accusations of malpractice from bankers and commentators in the Portuguese press. As a result, the Government may be forced to launch an investigation into the events leading up to the flotation and make some changes in the method by which shares of re-privatised companies are distributed and sold.

By the end of the week the Espirito Santo group appeared to have secured a significant proportion of these subscription rights, and looked well placed to achieve a leading position in the company.

The remaining 51 per cent of Tranquilidade's shares will be offered to the public next year as the Government's re-privatisation programme accelerates.

De Benedetti launches fightback

By John Wyles in Rome

MR CARLO De Benedetti and his allies are to seek full control of Mondadori, Italy's largest publishing group, in the face of potentially the most serious challenge ever to his position as Italy's leading financier.

The decision by the Formenton family to break with Mr De Benedetti and to throw in their lot with Mr Silvio Berlusconi, the Italian commercial television king, and other minority shareholders has robbed the financier of majority control of Mondadori's ordinary shares.

Launching a fightback yesterday, Mr De Benedetti announced that he would call a special shareholders' meeting to decide on a capital increase which he claims will give him full control of the company. In the meantime, the first trial of strength will take place at a meeting of the Mondadori board on Thursday.

Carlo De Benedetti: to call a special shareholders' meeting

Silvio Berlusconi: his bid for Mondadori opposed by the Left

The possibility that Mr Berlusconi may soon be in control of a newspaper and magazine empire as well as three commercial television stations has raised a storm of protests from the Left of Italian politics. This, however, is seen as underlining a weakness in Mr De Benedetti's position, namely, a sympathy with the Communist Party which is fully reflected in the top-selling La Repubblica newspaper acquired by Mondadori with other parts of the L'Espresso group in April. Mr Berlusconi has said and done more than enough to persuade the Christian Democrat and Socialist parties, which dominate Italian coalitions, that they could feel more relaxed if he was calling the shots at Mondadori.

Although the TV proprietor is adamant that he is not interested in editorial control, a defeat for Mr De Benedetti would almost certainly mean the departure of Mr Eugenio Scalfari, La Repubblica's founding editor and the scourge of Italian governments.

Mr De Benedetti is able to call a special general meeting because he owns 71 per cent of Mondadori's privileged shares and 43 per cent of the company's total capital. Although some calculations suggest that even after a capital increase the De Benedetti camp may just fall short of an absolute majority, his aides were confident yesterday.

They also revealed that the Formenton family had signed an agreement last year to give Mr De Benedetti full control of the Amef financial holding which owns 50.3 per cent of Mondadori ordinary stock by selling their 25.7 per cent of Amef in January 1991.

This would appear to preclude a sale to Mr Berlusconi but it does not solve the immediate problem of different majorities controlling ordinary and extraordinary meetings.

Adia to retain UK offshoot

By William Dullforce in Geneva

ADIA, the Swiss services group formed from the merger of the Adia temporary employment agency and Inspectorate, the quality control and security services company, has decided to keep control of Meridian International, the London-based computer leasing concern.

However, new management is being put in place and its operations will be integrated more closely with Meridian Leasing, Adia's computer leasing subsidiary in North America. Earlier this year Adia asked the London office of Wasserstein Perella to evaluate plans to sell Meridian International or to find a financially strong partner. Adia had received "strong indications of interest" from various blue-chip companies.

Yesterday the group announced from its Lausanne headquarters that it had decided to retain a controlling stake. The implication was that it remained open to bringing in a minority partner. Mr Patrice Courbey has been appointed chief executive officer of a new five-man board.

Adia described Meridian Leasing as a highly profitable company with revenues of $424m for the year ended June 30, up by some 47 per cent over the previous year.

Meridian International is the European leader in computer leasing with 1988 sales of £389m but has been facing tough competition, although, according to Adia, it is still running in the black.

Luxembourg gets fiscal over Hollywood

By Lucy Kellaway in Brussels

SHERLOCK Holmes and Shaka Zulu have discovered what many others seem to have missed: that Luxembourg is the Hollywood of Europe.

At least that is the general idea behind a joint venture company set up yesterday to capitalise on the Government's generous concessions to the film industry.

The partners in the scheme – the Luxembourg Government, Paribas Luxembourg Banque et Caisse D'Epargne de Luxembourg, and Harmony Gold – have grand ambitions. They may only have a mere $6m worth of productions underway at the moment, but over the next few years expect to have financed $300m of films in the Grand Duchy.

Thanks to a law passed at the end of last year, Luxembourg has become possibly the most attractive place to make films in the world – while it is not best known for its film talent, its fiscal incentives are as good as anyones.

Producers spending money in Luxembourg – even if it is only on hotel bills – get tax vouchers equivalent to 30 per cent of the amount spent.

And unlike in most other countries, where everyone from the script writers down have to be nationals, in Luxembourg there are no strings attached. The new company, called Harmony Gold Finance of Luxembourg, intends to finance US and European international productions.

It will start with a four-hour classic children's television programme – exact details yet to be announced – and plans to move on through Sherlock Holmes, and something called "Shaka Zulu: The Missing Chapter."

Luxembourg's desire to have a film industry is part of its move to diversify away from its traditional areas of strength in steel and banking.

German police hold ex-chief of Co op

By Andrew Fisher in Frankfurt

MR BERND Otto, the former chief executive of Co op, the troubled West German retailing group, was arrested at Frankfurt airport yesterday as he returned from South Africa after being out of the country since February.

His arrest follows that of six other former top Co op managers last week by police who had also issued a warrant for Mr Otto's arrest on suspicion of embezzlement, credit fraud, and falsifying of accounts.

He had told the weekly news magazine, Der Spiegel, that he knew he risked being arrested on his return. He said he had come back voluntarily to help sort out the company's tangled affairs. Mr Otto, 48, was dismissed as head of Co op late in 1988 after irregularities had been discovered in its finances.

Last Thursday, the company said operating losses should decline this year and next.

Creditor banks kept Co op afloat earlier this year by agreeing to write off 75 per cent of its DM2.7bn ($1.5bn) debt. Shareholders agreed on a financial restructuring package involving a sharp cut in share capital and the injection of DM350m of new funds through a capital increase guaranteed by two German banks.

Rütgerswerke says earnings have climbed

RUTGERSWERKE, the West German chemicals group, said earnings in the first nine months of 1989 climbed more than 15 per cent above last year's levels, boosted by strong growth in foreign turnover, AP-DJ reports.

The company, which is majority owned by the coal group Ruhrkohle, said group sales gained 15 per cent in the nine months ended September 30 to DM2.56bn ($1.4bn). In an interim report, the company did not state to what levels earnings had climbed, saying only that they rose above the 15 per cent rate that sales gained.

Rütgerswerke said despite a levelling off in earnings towards the end of the year, it expects the 1989 result to be better than the 1988 profits.

The company said October sales rose 15 per cent above levels a year earlier.

Basic chemical sales climbed 25 per cent to DM1.01bn, synthetics rose 11 per cent to DM1.26bn and construction revenue gained 5 per cent to DM282m.

The company's managing board said it expects continued strong demand in the important domestic and foreign markets next year.

The company raised its dividend for 1988 to DM9.00 from DM8.50, but Mr Wolfhard Ring, the chairman, did not provide any indication of another dividend increase for 1989.

SCOA plans FFr1.1bn issue

SCOA, the French distribution group, is seeking shareholders' approval for a FFr1.1bn ($181m) capital increase, Reuter reports.

Mr Francis Gombert, chairman, said the group planned to issue new shares totalling FFr800m and convertible bonds worth FFr300m. Current equity capital of 13.55m shares values the group at FFr487.67m.

SCOA is predicting a return to profit this year.

LIN 'warming' to improved offer from McCaw

By Roderick Oram in New York

AFTER WEEKEND talks, LIN Broadcasting appeared yesterday to be warming to an improved takeover offer from McCaw Cellular Communications that valued the New York company, owner of valuable US cellular franchises, at around $6.8bn.

In the first intensive negotiations between the companies since McCaw launched its bid in June, McCaw raised its offer to $154.11 cash for each of 21.9m LIN shares.

Coupled with 5.1m shares it already owns, a successful tender would give McCaw just over 50 per cent of LIN's stock.

The minority LIN stock would still trade publicly for five years, after which independent directors and advisers would set a price for McCaw to buy the outstanding shares.

McCaw slightly improved its proposals by limiting itself to buying a maximum of 75 per cent of LIN's shares during the five years rather than 81 per cent. It also said it would give LIN its 4.9725 per cent stake in the Los Angeles cellular franchise if its offer was successful.

McCaw gave LIN until 5pm New York time yesterday afternoon to accept its terms, after which its offer would revert to the previous terms outlined on November 20. LIN's board was meeting yesterday to consider the proposal.

Wall Street liked the quickening pace of negotiations between the two companies, pushing up LIN's B stock by $2 to $122¼ and McCaw's A shares by $¾ to $39¼.

LIN has been trying hard to avoid a McCaw takeover by arranging to merge with the cellular telephone interests of BellSouth, the largest regional telephone company in the US.

Under the terms of their preliminary agreement, LIN could back out if it received a "financable high proposal" from another party.

A crucial turning point in McCaw's efforts to win control of LIN came on Friday evening when LIN's board deemed that an improved McCaw offer, similar to the one detailed yesterday, met the BellSouth criteria.

BellSouth declined to comment on whether it would improve its own offer. But the mood in the McCaw camp appeared to indicate it was confident it had the upper hand.

● Telerate, the US information networks group, has agreed to buy American Telephone & Telegraph's partnership interest in Global Transactions Services, a joint venture established in 1987 to develop and operate The Trading Service, AP-DJ reports.

Terms were not disclosed. The transaction is expected to be completed by the year end.

Mr Neil Hirsch, president and chief executive of Telerate, said both companies realised that continuing Global Transactions on a stand-alone basis denied the economies achievable by integrating the venture into Telerate.

"It also sets the stage for the continued evolution of Telerate transactional services into a fully integrated trading environment," he said.

Autolatina extends its investment programme

By John Barham in Sao Paulo

AUTOLATINA, the holding company that manages Ford and Volkswagen operations in Brazil, intends to extend its $300m annual investment programme for a further year.

The extension should raise the company's capital spending in Brazil to $1.8bn by 1994. The programme began this year and is now expected to end in 1994, rather than in 1993.

Last December Autolatina, which has 58 per cent of the Brazilian car market, increased the planned investments to $300m a year, half of which will be used to develop new products. The company is 51 per cent owned by Volkswagen, with Ford holding the remainder.

Autolatina executives say they are confident that the Brazilian market will start to emerge from a decade of stagnation next year.

However, Mr Noel Phillips, the company's new president, warned that the plans depended largely on future profitability. Stringent government price controls have inflicted heavy losses on the car industry and led Ford and Volkswagen to join forces in 1986.

The investment programme also depends to a large extent on reliable deliveries of components by outside suppliers. Autolatina estimates that it would have been able to raise output this year by 6-8 per cent had it not been for shortages of components.

This year the company expects profits similar to those of 1988, when it earned $320m; in 1987, it reported a $220m loss.

Despite its financial recovery, Autolatina's sales growth this year has trailed far behind its competitors. In the 10 months to October, Ford and Volkswagen increased domestic sales by 1.2 per cent and 2.5 per cent respectively, while Fiat increased sales by 8.3 per cent and General Motors by 9.2 per cent.

● Packard Electric, a division of General Motors, is to manufacture automotive power and signal distribution system parts in Brazil through a General Motors do Brasil joint venture.

GM will own 50 per cent of the project, which will make metal and plastic parts for the Brazilian automotive and telecommunication markets.

It will be located in Sao Jose Dos Campos, about 60 miles north-east of Sao Paulo, and employ about 600 people. Operations are scheduled to begin on February 1.

Canadian steelmaker to mothball blast furnace

By Robert Gibbens in Montreal

THE CANADIAN steel market is continuing to decline in the fourth quarter and Algoma is mothballing its number six blast furnace at Sault Ste Marie until at least February.

Algoma's Toronto-based parent Dofasco, the country's biggest steelmaker, is being hit by lower car production and a downturn in the construction markets.

For some months Canadian short-term interest rates have been running between three and four percentage points above their US counterparts because of Bank of Canada policy and the whole economy is sliding into mild recession.

Stelco, the second-largest steelmaker, is rationalising further and reducing production rates. Diversified products groups such as Ivaco, with significant export business, are also seeing declining orders and are feeling the effects of a higher Canadian dollar.

One bright spot is a series of large pipe orders for gas transmission projects, mainly in western Canada.

Earnings of most steelmakers and steel products groups were lower in the third quarter and their performance is expected to deteriorate in the final quarter.

Analysts estimate the industry will earn considerably less in 1990, a year when most labour contracts come up for renegotiation.

Arbitrage firm may mount UAL leveraged buy-out

By Anatole Kaletsky in New York

CONISTON PARTNERS, the Wall Street arbitrage firm which owns a 12 per cent stake in UAL, the parent company of United Airlines, said yesterday that it was negotiating a possible "extraordinary transaction" with the company's management and unions.

The possibility of a new leveraged buy-out materialising for UAL boosted Wall Street last Friday and yesterday morning speculative buying pushed UAL's share price up another $6 to $180. According to arbitrageurs on Wall Street any new bid for the company was likely to be in the range of $200 to $230 a share, $4.5bn to $5bn in total.

The failure of an earlier leveraged buy-out proposal valuing UAL at $300 a share led to the 180-point plunge in the Dow Jones Industrial Average on the afternoon of Friday, October 13.

The next meeting of the UAL board is scheduled for December 13 and some analysts said a new proposal might emerge then.

Coniston Partners, a fund management and corporate raiding firm which specialises in buying strategic stakes in companies and forcing them to undertake restructurings and recapitalisations, lifted its stake in UAL from 9.7 per cent to 11.8 per cent in a series of share purchases disclosed on Friday. The group said earlier that it would launch a proxy fight to unseat UAL's management, but softened its rhetoric yesterday. Coniston said that its plans for a proxy fight would now depend on "the progress being made towards the consummation of an extraordinary transaction."

The type of transaction now expected by many analysts on Wall Street would be a partial leveraged buy-out, which would leave a substantial "stub" of UAL's equity to be publicly traded in the stock market. A restructuring of this kind would be much easier to finance than a full buy-out because it would require less cash. It would also overcome one of the most controversial features of UAL's initial plan – the almost total absence of equity or subordinated debt in the restructured company's financial structure.

The first UAL buy-out plan failed because commercial banks were expected to lend more than 100 per cent of the buy-out price. The main equity in the company would have come from the notional value of contractual "givebacks" negotiated with the pilots' union in exchange for a controlling stake in the business, to be held through an employee stock ownership plan.

While UAL's lead bankers, Citicorp and Chase Manhattan, valued this "equity" at around $2bn, some of the other banks they approached to join a lending syndicate were highly sceptical about the security such "equity" was supposed to provide.

One big reason for the bankers' scepticism was the opposition to the initial buy-out plan expressed by the International Association of Machinists, UAL's biggest union. The company's management has since indicated that it would try to persuade all its main unions to join in a revised buy-out proposal. However, this requirement could create a large stumbling block to any new deal.

The IAM has consistently expressed its opposition to leveraged financing and has repeatedly said it could not work with UAL's chairman, Mr Stephen Wolf.

INTERNATIONAL COMPANIES AND FINANCE

Japanese gas utilities slide as yen weakens

By Ian Rodger in Tokyo

PROFITS of Japan's two top gas utilities, Tokyo Gas and Osaka Gas, were hit in the six-month period to September 30 by the effect of the weakened yen on import costs at a time when they were still lowering rates in response to the yen's previous rise.

Tokyo Gas said pre-tax profit fell 29.4 per cent to Y9.9bn ($69.3m) on sales up 2.3 per cent to Y314.6bn. The value of sales fell by Y9.6bn due to the reduction in gas rates, the company said. Sales volume rose 6.1 per cent to 2.2bn cubic meters, due to industrial and household use.

Net income fell 29.8 per cent to Y7.8bn or Y2.84 per share.

For the full year, the company expects pre-tax profit to tumble 40.1 per cent to Y45bn.

Osaka Gas reported an 18.5 per cent fall in pre-tax to Y9.2bn on sales up 0.2 per cent to Y247.7bn. Net income dropped 3.7 per cent to Y6.1bn.

Gas sales volume was up 7.8 per cent to 1.8bn cu metres, but sales value was reduced by Y8.4bn because of rate cuts put into effect in April.

The company forecasts a 45.3 per cent plunge in pre-tax profits in the full year to Y35bn.

Bond Corp shares rebound from record low

BOND Corporation, the beleaguered conglomerate controlled by Perth businessman, Mr Alan Bond, displayed its well-established penchant for survival yesterday.

With its corporate life threatened on three major fronts, the company's shares at first sank to an all-time low of just 13 cents on Australian stock exchanges, before recovering to close steady at 20 cents.

The early sell-off reflected reaction to media reports that the collapse of the company could be triggered by events.

These included a mooted filing for liquidation of Bond by a key corporate adversary, the West Australian State Government Insurance Corporation. The Corporation claims it is owed about A$150m (US$117.1m) under a complex indemnity given by Bond over shares in a group satellite, Bell Group.

But the Bond group has taken court action disputing the indemnity. Insurance Corporation said yesterday no decision had been taken on the indemnity under which a A$750,000 interest payment is due on Wednesday.

Speculation was also strong that the Bond group had missed a A$43m interest payment on debt carried by the subsidiary, Bond Brewing Holdings, which could trigger bank action to foreclose on the group. But it appeared that no such action was taken.

On yet another looming flashpoint, Lion Nathan, the New Zealand brewing group, announced negotiations were continuing on the much-delayed brewery purchase from Bond Corporation. The brewery sale was thrown into further doubt on Friday when the Adelaide Steamship group nominated five of its executives to the board of the Bond subsidiary, Bell Resources Ltd.

The first step in Bond's complex brewery sale deal is for Bell Resources to receive a takeover bid at A$1.60 a share from Bond Corporation.

The latest deadline for the offer is Friday, but nomination of the Adsteam executives to the Bell board, with the apparent blessing of Mr Bond, has renewed speculation of a possible new brewery sale deal.

If the nominations prove successful, Adsteam could control Bell Resources, although it holds only 19.9 per cent of the company's capital.

Bell shares fell 7 cents to 50 cents on Australian stock exchanges yesterday, and shares in another Bond subsidiary, Bond Media, fell one cent to 16 cents as investors pondered the complex bid for the company launched on Friday by Australia's richest man, Mr Kerry Packer.

Bond executives have rejected the Packer bid, which values Bond Media at just 10 cents a share, claiming he is seeking to protect his own position at the expense of minority shareholders.

Mr Packer controls A$200m worth of Bond Media preference shares which are due for repayment in March. Bond Corporation controls 52 per cent of Bond Media, so the Packer bid cannot succeed without the parent's acceptance.

Mr Packer's plan is to recapitalise the Bond Media group under a new stock exchange-listed vehicle, bringing in A$450m of institutional equity to replace debt and embarking on an immediate asset sale and cost-cutting programme. Bond Media directors have foreshadowed a detailed response to the bid this week.

Meanwhile, the Australian listed company with most exposure to the Bond group, FAI Insurances, continued to suffer on the market, losing a further 15 cents to A$2.15. The stock has lost 61 cents in the past six trading days.

Integrated systems turn to Europe

Alan Cane finds a US high-technology concern anticipating 1992

Computer Sciences Corporation (CSC), a large but low-profile California-based information technology company which works chiefly for the US Government, is planning to spend up to $500m on acquisitions around the world over the next five years.

Its aim is to break out of its Federal systems mould and secure a significant share of the international commercial consulting and systems integration market.

Systems integration, which involves putting together computer hardware and software from different manufacturers to create tailored solutions to customers' data processing problems, is one of the fastest growing areas in information technology.

Analysts believe intense competition will mean that only a handful of very large systems integration companies will survive in the 1990s. There has already been a spate of mergers and acquisitions as the principal contenders, which include International Business Machines, Electronic Data Systems and Andersen Consulting of the US, SD-Scicon and Sema Group of the UK and CAP-Gemini-Sogeti of France, jockey for position.

Mr Peter Hanson, marketing director for CSC in London said: "CSC intends to be among the top three commercial systems houses in the world by 1995. We have a substantial amount of money available for acquisitions in the UK, Europe and the rest of the world."

Mr William Hoover, CSC president and chief executive officer confirmed the planned spending level as $500m over five years.

The kind of companies CSC was looking for, he said, would contribute skills, geographical advantages or both. CSC with $1.3bn in revenues in 1989 was growing at 10 per cent a year, but he believed that its growth rate should be 25 per cent through a mixture of organic growth and acquisition. He thought that rate of growth could be maintained for four or five years.

CSC's buying spree has already started. Earlier this month it announced it was in the final stages of negotiation to take over three companies, two in the US and one in the UK, with combined revenues of about $42m.

The companies are Inforem of the UK, a consultancy and systems development concern based in Surrey with revenues of about $20m, Cleveland Consulting Associates of the US with revenues of $13m and LPS Inc based in Minneapolis which develops systems for medium-sized computers and has revenues of about $9m.

These deals come hard on the heels of the acquisitions of CIG Intersys in Belgium earlier this year and, last year, of the Index Group, a well respected and influential US-based IT consultancy. CSC is not saying how big a dent these acquisitions have made in its war chest.

The Index Group has now become CSC Consulting, CSC's consulting arm, under Mr Thomas Gerrity, former chief executive of Index. Mr John Thompson, former chairman of Index's European operations, has been appointed European head of CSC.

CSC has been in business since 1959 but has until now remained determinedly low profile. This is chiefly because it derives about 70 per cent of its $1.3bn revenues from advanced systems for the US government, many of which are confidential.

The large projects in the US, include a $1m contract from the National Aeronautics and Space Administration to provide systems, engineering and analysis services over a 10 year period and a stock control and distribution system able to track 1.6bn spare parts for the US Air Force.

In Europe, projects range from the London Airport "Laces" cargo scheme in 1968 to monitoring the progress of the London Stock Exchange's automated quote distribution system (Seaq) in 1987. It has also created a paperless freight management system for the Deutsche Bundesbahn.

Why should CSC wish to move outside its highly profitable niche in government systems? Mr Hoover sees the answer in straightforward commercial realities: "It became apparent to us, however, that the commercial market for consulting and systems integration was growing faster than the federal sector. Our goal, therefore, is to become a major participant in that market - to have about half our revenues come from the non-federal sector in five years."

A principal concern is to be a key player in the European market where data processing markets are growing more rapidly than in the US.

Mr Hoover sees globalization as the driving force: "It is forcing integration of systems across national boundaries. We are seeing that most intensely in Europe now as corporations gear up for pan-European approaches to business."

Du Pont to build plant in Spain

By Tom Burns in Madrid

DU PONT, the US chemical giant, is to increase significantly its European production base following a decision, announced yesterday, to invest $1.2bn in a manufacturing complex close to the Ensidesa steel works in Asturias, northern Spain.

The site was originally earmarked for a General Electric petrochemical plant.

Construction of an initial $200m Du Pont plant that will manufacture a fibre named Nomex, which is used in the aerospace industry, will begin midway through next year.

As many as 12 further production centres planned by Du Pont for the complex will manufacture polymers and other fibres.

Du Pont's investment will eventually create some 5,000 direct jobs in a high unemployment area that was severely shaken last year when GE decided to switch its $1.6bn petrochemical project to Cartagena, South East Spain.

Mr Edgar Woolard, Du Pont president, said the Asturias plant would help increase the company's competitivity in the European and in other world markets.

Bayer research centre for Japan

By Peter Marsh

BAYER, the big West German chemicals company, is planning a DM120m ($67.4m) science centre in Japan to boost its efforts in pharmaceutical research.

The laboratory, eventually employing up to 200 people, is due to be built near Kyoto and to be completed by about 1994.

Mr Hermann Strenger, Bayer's chairman, said the centre should give his company a more global spread in research.

Bayer spends DM2.7bn a year on research and development, about six per cent of sales.

Exports help SA glass distributor lift profits

By Jim Jones in Johannesburg

PLATE GLASS and Shatterprufe Industries (PGSI), the South African based glass and building products distributor, reported improved profits for the first half.

Interim operating profit before tax and interest rose to R145.3m ($55.9m) from R112.4m and first half pre-tax profit to R123m, against R95.9m.

Sales were lifted 16 per cent in the six months to September 30 1989, helped by expanded international business and increased exports from South Africa.

Interim turnover was was R1.57bn, up from R1.36bn in the corresponding period last year.

The directors said the South African parts of the group performed particularly well, boosted by strong domestic demand and healthy exports.

They pointed out, though, that domestic activity was slowing by the end of the half year.

The group's international wood operations are to be recapitalised and restructured soon, and negotiations are believed to be taking place with a view to acquiring additional foreign partners.

First half earnings rose to 211.9 cents a share from 210.0 cents. The interim dividend has been held unchanged at 65 cents.

Last year's full earnings were 482.7 cents a share and the year's dividend 222 cents.

INTERNATIONAL CAPITAL MARKETS

Eulabank to sell off assets as shareholders withdraw

By David Lascelles, Banking Editor

EULABANK, the London-based consortium bank specialising in lending to Latin America, is to sell its assets to its parents and wind down operations.

The decision was taken by the bank's 11 European and 11 Latin American bank shareholders.

The alternative was to put up more than $200m in fresh capital to enable the bank to raise its provisions against Third World loans, which currently stand at 28 per cent. This is well below the 50 to 70 per cent level set by leading banks.

Mr George Gunson, the bank's chief executive, said yesterday that Eulabank had stopped taking funds in the money markets, and would now be repaying deposits as they matured. This process would take until the middle of next year, when the question of what happened to the bank's licence would be addressed.

Eulabank has about $900m of Latin American loans. The 22 owner banks will buy them in proportion to their shareholdings in the bank.

A year ago they subscribed $205m to Eulabank, enabling it to raise the necessary provisions. But this year the cost of additional subscriptions proved too much.

Mr Gunson said: "They took a long hard look at the situation and concluded that this was the best course."

Eulabank employs about 50 people. Mr Gunson said there would be a phased programme of redundancies as the winding down proceeded.

Eulabank, which was formed in 1974 to provide finance for Latin America, is the latest of a series of casualties in the consortium banking sector.

A year ago European Brazilian Bank handed back its licence and is now managing its loan book as a commercial concern. In September Intermex transferred half its $800m loan book to its parent banks and is continuing in a slimmed down form.

Eulabank's European shareholders include Barclays Bank, Dresdner Bank, Union Bank of Switzerland and Banca Nazionale del Lavoro.

Indonesian banker urges share ownership reform

A LEADING Indonesian banker has urged the Government to change a law blocking foreigners from buying shares in banks listed on the Jakarta stock market, Reuter reports.

Mr Abdulgani, chairman of Bank Duta, a leading private bank, said the restriction ignored needs of private banks to raise capital to finance growth.

"We know the Government is working on a new banking law. We hope it will overcome the issue so that bank shares can be treated in the same way as other companies," said Mr Abdulgani, who is also chairman of the Association of Private National Banks.

Since September foreign investors, the driving force behind a recent boom in Jakarta's tiny stock market, have been allowed to buy into all listed companies except banks.

The restriction was announced just as four banks were planning sizeable flotations and it limited their success; three of the four closed below their issue striking prices.

New rules next year will limit to a certain proportion of bank capital the amount banks can lend to any one business group, triggering the need for increases in banks' capital bases.

Soviets set up first financial services business

THE Soviet Union is to get its first Western-style financial services company, writes John Parker in Moscow. It is the East-West Development Corporation, a 50/50 joint venture to be based in Mogilev, 500km south-east of Moscow.

The agreement to set up the corporation was signed by the Republic of Belorussia and Luvink, a new holding company which is 60 per cent owned by an industrialist, Mr Frans Luvink.

It will advise ministries and factories based in Mogilev on purchasing policies and investment. It will also advise the local government on economic policy.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 4

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Bankers Trust International; Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Bank Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse; Bank of Tokyo International; Chemical Bank International; Citicorp International Bank; Daiwa Europe NV; LTCB International; Robert Fleming & Co; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Sanwa International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; Swiss Bank Corporation; UBS-Phillips & Drew; Wallman Int.; S.G. Warburg Securities;

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, December 4, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan (Afghani)	99.25	63.4793	35.6373	44.2093
Albania (Lek)	10.08	6.4470	3.6193	4.4899
Algeria (Dinar)	12.6925	8.1180	4.5574	5.6536
Andorra (Fr Fr)	9.5100	6.0825	3.4147	4.2360
(Sp Peseta)	179.25	114.6466	64.3626	79.8440
Angola (Kwanza)	47.26u	29.9180	16.9694	21.0512
Antigua (E Carr $)	4.2295	2.7051	1.5186	1.8839
Argentina (Austral)	1019.55	652.0946	366.0861	454.1425
Aruba (Florin)	2.8040u	1.7900	1.0068	1.2489
Australia (Aus $)	2.0005	1.2795	0.7183	0.8910
Austria (Schilling)	19.585	12.5263	7.0323	8.7238
Azores (Port Escudo)	242.80	155.2926	87.1813	108.1514
Bahamas (Bahama $)	1.5635	1	0.5614	0.6964
Bahrain (Dinar)	0.5910	0.3779	0.2122	0.2632
Balearic Is (Sp Peseta)	179.25	114.6466	64.3626	79.8440
Bangladesh (Taka)	49.00	31.3399	17.5942	21.8262
Barbados (Barb $)	3.1505	2.0150	1.1312	1.4033
Belgium (Belg Fr)	58.50c	37.4160	21.0053	26.0579
	58.55g	37.4480	21.0233	26.0801
Belize (B $)	3.1330u	2	1.1249	1.3955
Benin (CFA Fr)	475.50	304.1253	170.7360	211.8040
Bermuda (Bermudian $)	1.5635	1	0.5614	0.6964
Bhutan (Ngultrum)	26.50	16.9491	9.5152	11.8040
Bolivia (Boliviano)	4.5898	2.9355	1.6480	2.0444
Botswana (Pula)	3.01	1.9251	1.0807	1.3407
Brazil (Cruzado)	11.4828	7.3442	4.1230	5.1148
British Virgin Is (US $)	1.5635	1	0.5614	0.6964
Brunei (Brunei $)	3.0423	1.9458	1.0923	1.3551
Bulgaria (Lev)	1.3344	0.8534	0.4791	0.5943
Burkina Faso (CFA Fr)	475.50	304.1253	170.7360	211.8040
Burma (Kyat)	10.7780	6.8935	3.8700	4.8008
Burundi (Burundi Fr)	247.12	158.0556	88.7324	110.0757
Cambodia (Riel)	234.37u	150	84.1543	104.3964
Cameroon (CFA Fr)	475.50	304.1253	170.7360	211.8040
Canada (Canadian $)	1.8185	1.1630	0.6529	0.8100
Canary Is (Sp Peseta)	179.25	114.6466	64.3626	79.8440
Cp. Verde (CV Escudo)	121.85	77.9341	43.7522	54.2761
Cayman Is (CI $)	1.3002u	0.8300	0.4668	0.5791
Cent.Afr. Rep (CFA Fr)	475.50	304.1253	170.7360	211.8040
Chad (CFA Fr)	475.50	304.1253	170.7360	211.8040
Chile (Chilean Peso)	434.30	277.7742	155.9425	193.4521
China (Renminbi Yuan)	5.8679	3.7530	2.1069	2.6137
Colombia (Col Peso)	649.65	415.5100	233.2675	289.3763
Comoros (CFA Fr)	475.50	304.1253	170.7360	211.8040
Congo (Brazz) (CFA Fr)	475.50	304.1253	170.7360	211.8040
Costa Rica (Colon)	130.9545	83.7604	47.0231	58.3338
Côte d'Ivoire (CFA Fr)	475.50	304.1253	170.7360	211.8040
Cuba (Cuban Peso)	1.2482	0.7983	0.4481	0.5559
Cyprus (Cyprus £)	0.7630	0.4880	0.2739	0.3398
Czechoslovakia (Koruna)	22.92c	14.6594	8.2298	10.2093
	14.85l	9.4979	5.3321	6.6146
	14.85t	9.4979	5.3321	6.6146
Denmark (Danish Kroner)	10.8000	6.9075	3.8779	4.8106
Djibouti Rep (Djib Fr)	275.00	175.8874	98.7432	122.4944
Dominica (E Carrib $)	4.2295	2.7051	1.5186	1.8839
Dominican Rep (D Peso)	10.5045	6.7185	3.7718	4.6790
Ecuador (Sucre)	1015.63o	649.5874	364.6786	452.3964
	945.31a	604.6114	339.4290	421.0734
Egypt (Egyptian £)	3.9900	2.5519	1.4326	1.7772
El Salvador (Colon)	7.8125	4.9968	2.8052	3.4799
Equat'l Guinea (CFA Fr)	475.50	304.1253	170.7360	211.8040
Ethiopia (Ethiopian Birr)	3.2175	2.0578	1.1552	1.4331
Falkland Is (Falk £)	1.00	0.6395	0.3590	0.4454
Faroe Is (Danish Kroner)	10.8000	6.9075	3.8779	4.8106
Fiji Is (Fiji $)	2.3610	1.5100	0.8477	1.0516
Finland (Markka)	6.5555	4.1928	2.3538	2.9200
France (Fr)	9.5100	6.0825	3.4147	4.2360
Fr. Cty/Africa (CFA Fr)	475.50	304.1253	170.7360	211.8040
Fr. Guiana (Local Fr)	9.5100	6.0825	3.4147	4.2360
Fr. Pacific Is (CFP Fr)	170.00	108.7304	61.0412	75.7238
Gabon (CFA Fr)	475.50	304.1253	170.7360	211.8040
Gambia (Dalasi)	11.9975	7.6734	4.3078	5.3440
Germany East (Ostmark)	2.7850	1.7812	1	1.2405
Germany West (DMark)	2.7850	1.7812	1	1.2405
Ghana (Cedi)	471.65	301.6629	169.3536	210.0890
Gibraltar (Gib £)	1.00	0.6395	0.3590	0.4454
Greece (Drachma)	255.03	163.1148	91.5727	113.5991
Greenland (Danish Krone)	10.8000	6.9075	3.8779	4.8106
Grenada (E Carr $)	4.2295	2.7051	1.5186	1.8839
Guadaloupe (Local Fr)	9.5100	6.0825	3.4147	4.2360
Guam (US $)	1.5635	1	0.5614	0.6964
Guatemala (Quetzal)	4.4530	2.8480	1.5989	1.9835
Guinea (Fr)	469.95	300.5756	168.7432	209.3318
Guinea-Bissau (Peso)	1018.22a	650	365.6086	453.5501
Guyana (Guyanese $)	46.8950u	30	16.8384	20.8886
Haiti (Goude)	7.8325u	5	2.8123	3.4888
Honduras (Lempira)	3.1250u	2	1.1220	1.3919
Hong Kong (HK $)	12.2110	7.8100	4.3845	5.4391
Hungary (Forint)	91.3280	58.4125	32.7928	40.6806
Iceland (Icelandic Krona)	98.07	62.7246	35.2136	43.6837
India (Indian Rupee)	26.50	16.9491	9.5152	11.8040
Indonesia (Rupiah)	2813.35	1799.3923	1010.1795	1253.1625
Iran (Rial)	112.10	71.6981	40.2513	49.9331
Iraq (Iraqi Dinar)	0.4855	0.3105	0.1743	0.2162
Irish Rep (Punt)	1.0560	0.6754	0.3791	0.4703
Israel (Shekel)	3.0700	1.9635	1.1023	1.3674
Italy (Lira)	2052.00	1312.4400	736.8043	914.0311
Jamaica (Jamaican $)	9.9985	6.3949	3.5901	4.4536
Japan (Yen)	224.50	143.5881	80.6104	100
Jordan (Jordanian Dinar)	1.0510	0.6722	0.3773	0.4681
Kenya (Kenya Shilling)	33.97	21.7268	12.1974	15.1314
Kiribati (Australian $)	2.0005	1.2795	0.7183	0.8910
Korea North (Won)	1.5195	0.9718	0.5456	0.6768
Korea South (Won)	1052.93	673.4441	378.0718	469.0111
Kuwait (Kuwaiti Dinar)	0.4687	0.2997	0.1682	0.2087
Laos (New Kip)	913.27	584.1189	327.9245	406.8017
Lebanon (Lebanese £)	689.70	441.1256	247.6481	307.2160
Lesotho (Maluti)	4.0633	2.5988	1.4589	1.8099
Liberia (Liberian $)	1.5635	1	0.5614	0.6964
Libya (Libyan Dinar)	0.4667	0.2984	0.1675	0.2078
Liechtenstein (Swiss Fr)	2.5025	1.6005	0.8985	1.1146
Luxembourg (Lux Fr)	58.50	37.4160	21.0053	26.0579
Macao (Pataca)	12.6450	8.0876	4.5403	5.6325
Madeira (Port Escudo)	242.80	155.2926	87.1813	108.1514
Malagasy Rep (MG Fr)	2166.50	1385.6731	777.9174	965.0334
Malawi (Kwacha)	4.2595	2.7243	1.5294	1.8973
Malaysia (Ringgit)	4.2290	2.7048	1.5184	1.8837
Maldive Is (Rufiya)	14.6828	9.3909	5.2721	6.5402
Mali Rep (CFA Fr)	475.50	304.1253	170.7360	211.8040
Malta (Maltese £)	0.5405	0.3456	0.1940	0.2407
Martinique (Local Fr)	9.5100	6.0825	3.4147	4.2360
Mauritania (Ouguiya)	136.5830	87.3572	49.0423	60.8387
Mauritius (Maur Rupee)	23.60	15.0943	8.4739	10.5122
Mexico (Mexican Peso)	4148.45a	2653.3098	1489.5691	1847.8619
	4086.99d	2614	1467.5008	1820.4855
Miquelon (Local Fr)	9.5100	6.0825	3.4147	4.2360
Monaco (French Fr)	9.5100	6.0825	3.4147	4.2360
Mongolia (Tugrik)	5.2565u	3.3555	1.8874	2.3414
Montserrat (E Carr $)	4.2295	2.7051	1.5186	1.8839
Morocco (Dirham)	12.9895	8.3079	4.6640	5.7859
Mozambique (Metical)	1286.30	822.7054	461.8671	572.9621
Namibia (S A Rand)	4.0633	2.5988	1.4589	1.8099
Nauru Is (Australian $)	2.0005	1.2795	0.7183	0.8910
Nepal (Nepalese Rupee)	37.5960	24.0460	13.4994	16.7465
Netherlands (Guilder)	3.1400	2.0083	1.1274	1.3986
N'nd Antilles (A/Guilder)	2.8195u	1.8000	1.0123	1.2559
New Zealand (NZ $)	2.6505	1.6952	0.9517	1.1806
Nicaragua (Cordoba)	33281.25	21286.3767	11950.1795	14824.6102
Niger Rep (CFA Fr)	475.50	304.1253	170.7360	211.8040
Nigeria (Naira)	11.7175	7.4944	4.2073	5.2193
Norway (Nor. Krone)	10.6500	6.8116	3.8240	4.7438
Oman (Rial Omani)	0.6036	0.3860	0.2167	0.2688
Pakistan (Pak. Rupee)	32.20	20.5948	11.5619	14.3429
Panama (Balboa)	1.5635	1	0.5614	0.6964
Papua New Guinea (Kina)	1.3515	0.8644	0.4852	0.6020
Paraguay (Guarani)	1910.95	1222.2257	686.1579	851.2026
Peru (Inti)	17862.50a	11424.6881	6413.8240	7956.5701
Philippines (Peso)	33.80	21.6181	12.1364	15.0556
Pitcairn Is (£ Sterling)	1.00	0.6395	0.3590	0.4454
(NZ $)	2.6505	1.6952	0.9517	1.1806
Poland (Zloty)	6564.55	4198.6248	2357.1095	2924.0757
Portugal (Escudo)	242.80	155.2926	87.1813	108.1514
Puerto Rico (US $)	1.5635	1	0.5614	0.6964
Qatar (Riyal)	5.7075	3.6504	2.0493	2.5423
Reunion Is. de la (F/Fr)	9.5100	6.0825	3.4147	4.2360
Romania (Leu)	14.371	9.1909	5.1597	6.4008
Rwanda (Fr)	124.45	79.5970	44.6858	55.4342
St Christopher (E Carr $)	4.2295	2.7051	1.5186	1.8839
St Helena (£)	1.00	0.6395	0.3590	0.4454
St Lucia (E Carr $)	4.2295	2.7051	1.5186	1.8839
St Pierre (French Fr)	9.5100	6.0825	3.4147	4.2360
St Vincent (E Carr $)	4.2295	2.7051	1.5186	1.8839
San Marino (Italian Lira)	2052.00	1312.4400	736.8043	914.0311
Sao Tome (Dobra)	168.15	107.5471	60.3770	74.8997
Saudi Arabia (Riyal)	5.8805	3.7611	2.1114	2.6193
Senegal (CFA Fr)	475.50	304.1253	170.7360	211.8040
Seychelles (Rupee)	8.69	5.5580	3.1202	3.8708
Sierra Leone (Leone)	98.45	62.9677	35.3500	43.8530
Singapore ($)	3.0423	1.9458	1.0923	1.3551
Solomon Is ($)	3.7437	2.3944	1.3442	1.6675
Somali Rep (Shilling)	642.25	410.7771	230.6104	286.0801
South Africa (Rand)	4.0633c	2.5988	1.4589	1.8099
	6.1163g	3.9119	2.1961	2.7244
Spain (Peseta)	179.25	114.6466	64.3626	79.8440
Spanish Ports in N Africa (Sp Peseta)	179.25	114.6466	64.3626	79.8440
Sri Lanka (Rupee)	62.50	39.9744	22.4416	27.8396
Sudan Rep (£)	17.95a	11.4806	6.4452	7.9955
Surinam (Guilder)	2.7960	1.7882	1.0039	1.2454
Swaziland (Lilangeni)	4.0633	2.5988	1.4589	1.8099
Sweden (Krona)	9.9650	6.3735	3.5780	4.4387
Switzerland (Fr)	2.5025	1.6005	0.8985	1.1146
Syria (£)	32.8965u	21	11.8120	14.6532
Taiwan ($)	40.85	26.1272	14.6678	18.1959
Tanzania (Shilling)	243.55	155.7723	87.4506	108.4855
Thailand (Baht)	40.50	25.9034	14.5421	18.0400
Togo Rep (CFA Fr)	475.50	304.1253	170.7360	211.8040
Tonga Is (Pa Anga)	2.0005	1.2795	0.7183	0.8910
Trinidad/Tobago ($)	6.6575	4.2580	2.3904	2.9654
Tunisia (Dinar)	1.4705	0.9405	0.5280	0.6550
Turkey (Lira)	3620.35	2315.5420	1299.9461	1612.6280
Turks & Caicos (US $)	1.5635	1	0.5614	0.6964
Tuvalu (Australian $)	2.0005	1.2795	0.7183	0.8910
Uganda (New Shilling)	581.30	371.7940	208.7253	258.9309
U A E (Dirham)	5.7570	3.6821	2.0671	2.5643
United Kingdom (£)	1.00	0.6395	0.3590	0.4454
United States (US $)	1.5635	1	0.5614	0.6964
Uruguay (Peso)	1192.95	762.9996	428.3482	531.3808
USSR (Rouble)	0.9709	0.6209	0.3486	0.4324
Vanuatu (Vatu)	185.00	118.3242	66.4272	82.4053
Vatican (Lira)	2052.00	1312.4400	736.8043	914.0311
Venezuela (Bolivar)	69.2100	44.2660	24.8509	30.8285
Vietnam (Dong)	7049.25	4508.6344	2531.1490	3139.9777
Virgin Is-British (US $)	1.5635	1	0.5614	0.6964
Virgin Is-US (US $)	1.5635	1	0.5614	0.6964
Western Samoa (Tala)	3.6377	2.3266	1.3061	1.6203
Yemen (Rial)	15.2735	9.7687	5.4842	6.8033
Yemen PDR (Dinar)	0.5373u	0.3430	0.1929	0.2393
Yugoslavia (Dinar)	126235.00	80738.7272	45326.7504	56229.3986
Zaire Rep (Zaire)	700.98	448.3402	251.6983	312.2405
Zambia (Kwacha)	29.25	18.7080	10.5026	13.0289
Zimbabwe ($)	3.5560	2.2743	1.2768	1.5839

Special Drawing Rights December 1, 1989 United Kingdom £1.21549 United States $1.28878 Germany West D Mark 2.29635 Japan Yen184.424 European Currency Unit Rates December 4, 1989 United Kingdom £1.37003 United States $1.14319 Germany West D Mark 2.03510 Japan Yen163.956

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; (u) Currency fixed against the US Dollar. Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Monday, December 4, 1989

INTERNATIONAL CAPITAL MARKETS

Warm reception for Norinchukin Bank's debut deal

By Andrew Freeman

SEVERAL successful deals dominated new-issue business on the Eurobond market yesterday, although syndicate officials said investors were cautious and unwilling to commit new funds.

A $200m debut issue for

INTERNATIONAL BONDS

Norinchukin Bank, the Japanese agricultural credit bank, was launched by the bank's own subsidiary to a fine reception. The seven-year bonds carried an 8⅝ per cent coupon and were priced at 101½ to yield some 72 basis points over the equivalent US Treasury.

Traders said European demand for the paper was strong, with much buying in anticipation of further interest in Tokyo overnight. The bonds traded as high as less 1.45 bid, before settling at less 1.65 bid, well inside full fees of 1⅞ per cent. The spread over Treasuries narrowed to around 66 basis points. Proceeds were unswapped.

IBJ International was the lead manager of the first Euroyen issue for KfW International Finance, which met a good reception.

The borrower hosted a roadshow for investors in Japan to lay the ground for the Y25bn deal, which offered a yield of 6.28 per cent at less 1⅞ per cent full fees. It was judged by syndicate managers as well priced. Demand was mainly from European institutions and central banks, and the bonds traded at less 1.80 bid, inside fees. Dealers said there was some switching by clients.

There was speculation that the proceeds were swapped into floating-rate US dollars.

Paribas Capital Markets brought an Ecu100m issue for Crédit Local de France to a mixed reception. Traders said the pricing was fine, and noted switching activity out of D-Mark assets. However, they questioned the current depth of demand for Ecu paper and said it was hard to find investors with new money to commit to the sector. The bonds were around fees at less 1.85 bid.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Norinchukin Bank(a)♦	200	8⅝	101½	1997	1⅞/1¼	Norinchukin Int.
Bank of Greece(b)‡♦	300	30bp	100	1996	27bp	CSFB
Nichiei Co.♦	300	(3¼)	100	1993	2¼/1½	Yamaichi Int. (Europe)
Dainippon Screen Mnf.♦	200	(3⅛)	100	1993	2¼/1½	Yamaichi Int. (Europe)
Sumitomo Realty & Dev.(c)♦♦	1bn	2⅝	100	1993	2¼/1½	Daiwa Europe
ECUs						
Credit Local de France(a)♦	100	9⅛	102	1994	1⅞/1¼	Paribas Capital Markets
YEN						
KFW Int. Finance(a)♦	25bn	6¼	101¼	1994	1⅞/1¼	IBJ Int.
D-MARKS						
Sumitomo Construction Co.♦	150	(1⅝)	100	1993	2¼/1½	WestLB
AUSTRIAN SCHILLINGS						
Commerzbank Overseas Fin(a)♦	1bn	7⅞	99½	1994	1.8/1	Raiffeisen Zentralbk Ost

‡Floating rate notes. ♦With equity warrants. ♦Final terms. a) Non-callable. b) Call at par on coupon dates from December 1994. Put at par December 1994. c) Coupon indicated at 3⅛%.

A $300m floating-rate note issue for the Bank of Greece was brought by Credit Suisse First Boston. The notes carried a margin of 30 basis points over six-month Libor and were reoffered to investors at 99.80.

CSFB said it was satisfied with the deal's first day, and said it was making sales at the reoffer level. Other traders said progress was predictably unspectacular and that it was hard work to find unfilled bank demand for the notes.

Two Japanese equity warrant issues were launched by Yamaichi to excellent demand. Both deals were trading at large premiums to their par issue prices: Nichiei was quoted at 105⅞ bid, while Dainippon Screen Manufacturing reached 105⅞ bid.

In Germany, prices were narrowly mixed in quiet trading. WestLB brought a DM150m deal with equity warrants for Sumitomo Construction with an indicated coupon of 1⅝ per cent. The paper was trading at 99⅞ bid, below the par issue price, but way inside 2¼ per cent fees.

In Austria, Raiffeisen Zentralbank confirmed it was the lead manager of a Sch1bn five-year issue for Commerzbank Overseas Finance. The bonds carry a 7⅞ per cent coupon and are priced at 99½.

Switzerland had an extremely quiet day. The Crédit Foncier SFr125m issue which traded in the secondary market for the first time last Thursday was trading at 99⅞ bid, compared with a 101 issue price.

Swiss to adjust bank capital requirements

SWISS BANKS will have to back off-balance-sheet business with more capital but will face less stringent capital requirements for traditional lending under new regulations to take effect on January 1, Reuter reports.

The Federal Finance Department said the new rules kept Swiss capital requirements among the toughest in the world, but brought standards more in line with international guidelines agreed by the Group of 10 last year.

"The result of the changes will be to reduce capital requirements for most banks," the department said.

The G10 rules require banks to set aside by the end of 1992 capital equal to 8 per cent of risk-weighted assets.

Although it is difficult to make a direct comparison between that system and Swiss rules, the Swiss Banking Commission said that Swiss standards remained tougher, equivalent to between 10 and 12 per cent of banks' capital.

The new standards are designed to help cover the risk posed by the rapid development of banks' off-balance-sheet business.

Under the guidelines, banks can use subordinated debt to cover up to 25 per cent of their capital requirement. Previous guidelines, in effect since 1981, set a ceiling of 10 per cent.

The Finance Department said the cost of raising capital was therefore significantly reduced, as capital increases in Switzerland were at least twice as expensive as subordinated debt.

The new rules were worked out in co-operation with representatives of private banks and the Swiss National Bank.

The Swiss Bankers Association welcomed the revisions which, it said, represented a sound approach to protecting banks against risks while reducing the competitive disadvantages Swiss banks had traditionally faced.

Hoare Govett launches $75m Malaysia fund

By Deborah Hargreaves

HOARE Govett Corporate Finance yesterday launched a $75m Malaysian Emerging Companies Fund which will invest in the smaller companies listed on the Kuala Lumpur Stock Exchange, the latest in a flurry of new country funds.

It will invest in companies with a market capitalisation of 300m ringgit ($111m). According to Hoare Govett, the number of companies of that size or smaller listed in Kuala Lumpur account for 75 per cent of all concerns on the exchange, but only 21 per cent of the market capitalisation.

The fund will be marketed on a global basis to UK and overseas institutions which are keen to participate in the often phenomenal growth of emerging markets worldwide. The KLSE is open to foreign investors, which makes it easier for large institutions to gain access to blue-chip Malaysian companies.

Hoare Govett aims to select firms with the best growth potential although the company has not forecast any growth figures for the fund.

US Treasuries lose ground despite further soft data

By Janet Bush in New York and Rachel Johnson in London

US TREASURY bonds showed small losses at midsession yesterday in quiet trading as dealers remained cautious prior to Friday's key employment figures for November.

At midsession the benchmark long bond was quoted ⅛

GOVERNMENT BONDS

point lower for a yield of 7.89 per cent. Short-dated maturities stood about ⅛ point lower.

More data released yesterday confirmed continued weakness in the economy, which should justify a further easing move by the US Federal Reserve. However, in spite of this and last week's soft data, bond dealers tend to think the Fed would prefer to wait until Friday's employment release before acting.

Yesterday's economic news included a 0.2 per cent fall in factory orders in October, due largely to a substantial decline in defence capital goods. There was also news of a 0.5 per cent fall in sales of new single-family homes in October, which came as a surprise to economists who felt the housing market was rebounding somewhat in response to lower interest rates.

Yesterday's figures followed last week's news of a 0.4 per cent fall in leading indicators in October, a jump in the latest week's claims for unemployment insurance and another weak US purchasing managers' report.

Fed funds opened at 8⅝ per cent yesterday and stayed resolutely at that level throughout the morning session. In spite of the fact that Friday's employment figures are thought by many to be a potential trigger for an easing move, some bond economists feel the data seen over the past few days could induce a Fed easing before Friday.

Bond traders will be watching the Fed's open market operations extremely closely for any hints of a shift in the Fed funds target from 8½ per cent to 8¼ per cent.

■ UK government bonds fell ¼ point yesterday in reaction to a medley of economic data and political confusion ahead of today's vote for the leadership of the Tory party.

The economic diary was packed full of events. The Bank of England announced that Britain's reserves for November had fallen by $931m. This gave some indication of the heavy official support for sterling on the foreign exchanges – although not as heavy as October, the month Mr Nigel Lawson resigned as Chancellor.

Consumer credit for October and final retail sales figures were also released. Neither of these had much impact on gilts since the market had decided it would respond instead to news on inflation from the Treasury and Civil Service Select Committee, at which Mr John Major, the Chancellor, was giving evidence.

News on inflation, however, came from another source. A securities house forecast a deterioration in the inflation rate to an average 6.25 per cent, a gloomier prediction than that of the Treasury. This sent the index-linked market higher, as investors sought to accommodate the new rise and escape from fixed interest into an adequate hedge.

The escape was also partially driven by fears of the damage wrought on the financial markets by the leadership contest in the Tory party. The index-linked 2.5 per cent 2004 bond rose 10 ticks to yield 3.55 per cent.

In the cash market at the 10-year range, prices fell: the yield on the Treasury 11¾ per cent 2003/07 topped the 10 per cent mark and came down nine ticks in price.

On Liffe, traders squared positions ahead of the expiry of the December bund on Wednesday, and prices were broadly unchanged.

■ THE FRENCH Treasury will sell between FFr7bn and FFr9bn of tap stocks at this week's bond auction.

The offering will comprise at least FFr1bn of the benchmark 10-year 8.125 per cent 1999 tap, as at each auction this year. The Treasury will also offer further tranches of the 30-year tap, 8.50 per cent 2019, and of the variable-rate 1993 tap whose coupon is based on the yield of three-month Treasury bills.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	103-11	-1/32	12.04	11.87	11.71
	9.750	1/98	94-15	-6/32	10.98	10.82	10.77
	9.000	10/08	91-16	-12/32	10.01	9.85	9.84
US TREASURY *	7.785	11/99	100-09	-5/32	7.89	7.88	7.98
	8.125	8/19	102-20	-4/32	7.89	7.90	7.94
JAPAN No 111	4.800	6/99	94.6509	+0.056	5.49	5.49	5.47
No 2	5.700	3/07	101.6828	–	5.51	5.48	5.32
GERMANY	7.000	9/99	98.2500	-0.100	7.26	7.26	7.16
FRANCE BTAN	8.000	10/94	94.0744	+0.056	9.56	9.85	9.54
OAT	8.125	5/99	94.1600	+0.110	9.05	9.14	9.04
CANADA *	9.250	12/99	97.3000	-0.075	9.68	9.56	9.42
NETHERLANDS	7.250	7/99	96.7000	+0.100	7.74	7.76	7.65
AUSTRALIA	12.000	7/99	94.1778	-0.154	13.07	13.16	13.50

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

Syndication for Isoceles expected to close today

By Stephen Fidler, Euromarkets Correspondent

THE syndication among banks of £1.36bn ($2.1bn) in loans for Isoceles, the company formed to buy out the Gateway supermarkets group, is expected to close today. The success or otherwise of the syndication will be read as an important bellwether of the state of leveraged finance in the UK.

S.G. Warburg, the arranger, plans a meeting tomorrow of lenders at which it will outline how well the transaction has fared.

The loans have taken longer than expected to syndicate as international banks have retreated from the UK leveraged market after problems with existing buy-outs. For example, Lowndes Queensway, the carpet and furniture retailer, said last week it was in talks over a second refinancing since it arranged a buy-out in August 1988.

But Warburg has argued that, as a food retailer, Gateway does not suffer much from high interest rates.

Other leveraged deals have met a poor reception, although some more moderately leveraged transactions have sold well. A £72.5m financing by Samuel Montagu for LWT Holdings, a television company, which would be defined under US Federal Reserve guidelines as a highly-leveraged transaction, was heavily oversubscribed.

● Gamlestaden Finance, a subsidiary of Sweden's Gamlestaden, has a $250m Eurocommercial paper programme arranged by Svenska International with a dealer group also comprising Chase Investment Bank, Manufacturers Hanover Bank, S-E Banken and UBS Phillips & Drew.

● Gulf International Bank has arranged a $50m pre-export facility for the Rice Export Corporation of Pakistan. The one-year facility carries a ⅛ point margin.

● Rabobank Nederland is the first Dutch bank to issue certificates of deposit in London after establishing a Y30bn programme. Dealers are Nomura International, Daiwa Europe, Goldman Sachs International and Rabobank.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

EQUITY GROUPS & SUB-SECTIONS	Monday December 4 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Dec 1 Index No.	Thu Nov 30 Index No.	Wed Nov 29 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (205)	881.71	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (28)	1858.61	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (37)	1487.28	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (10)	2522.94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (30)	1904.85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (53)	454.44	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (6)	461.97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (17)	364.47	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (24)	1695.96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (185)	1293.07	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (23)	1489.59	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (20)	1130.17	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (15)	2281.23	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household (14)	2639.99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (35)	1610.24	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (14)	534.77	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (18)	3491.39	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (32)	790.51	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (14)	517.19	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (95)	1153.86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (17)	1525.58	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (22)	1211.86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (14)	1668.04	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Transport (13)	2267.77	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	1127.26	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (27)	1905.04	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (485)	1168.33	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (15)	2283.72	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	1254.20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (120)	818.58	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (9)	845.63	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (7)	1364.67	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	697.70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (7)	1138.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	467.29	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (49)	1197.82	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (30)	323.11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (69)	1269.49	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	699.95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (7)	1473.76	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (697)	1150.51	-0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 30	Nov 29	Nov 28	Nov 27	Year ago
FT-SE 100 SHARE INDEX♦	2345.4	-7.7	2329.0	2297.5	[illegible]	[illegible]	[illegible]	[illegible]	1761.6

FIXED INTEREST

PRICE INDICES	Mon Dec 4	Day's change %	Fri Dec 1	xd adj. today	xd adj. 1989 to date
British Government					
1 Up to 5 years	116.25	-0.01	116.66	0.40	10.90
2 5-15 years	129.97	-0.19	129.22	–	11.60
3 Over 15 years	136.86	-0.19	137.11	–	12.71
4 Irredeemables	153.83	-0.11	154.00	–	13.64
5 All stocks	127.17	-0.13	127.48	0.14	11.66
Index-Linked					
6 Up to 5 years	140.97	+0.61	140.11	–	2.79
7 Over 5 years	138.27	+0.29	137.87	–	3.21
8 All stocks	138.36	+0.32	137.92	–	3.15
9 Debentures & Loans	106.38	+0.12	106.25	–	10.78
10 Preference	85.28	-0.14	85.40	–	6.14

AVERAGE GROSS REDEMPTION YIELDS			Mon Dec 4	Fri Dec 1	Year ago (approx.)
British Government					
1	Low	5 years	10.35	10.34	10.40
2	Coupons	15 years	9.91	9.89	9.55
3		25 years	9.83	9.81	9.34
4	Medium	5 years	11.41	11.36	10.80
5	Coupons	15 years	10.32	10.28	9.76
6		25 years	9.96	9.93	9.39
7	High	5 years	11.54	11.50	10.95
8	Coupons	15 years	10.53	10.49	9.89
9		25 years	10.10	10.07	9.53
10	Irredeemables		9.93	9.92	8.94
Index-Linked					
11	Inflation rate 5%	Up to 5yrs.	3.58	3.78	3.46
12	Inflation rate 5%	Over 5 yrs.	3.69	3.71	3.68
13	Inflation rate 10%	Up to 5yrs.	2.73	2.93	2.29
14	Inflation rate 10%	Over 5 yrs.	3.52	3.54	3.52
15	Debs &	5 years	12.96	12.97	11.29
16	Loans	15 years	12.39	12.41	11.08
17		25 years	12.03	12.05	10.86
18	Preference		10.77	10.75	10.37

♦Opening index 2329.0; 10 am 2327.6; 11 am 2319.9; Noon 2311.6; 1 pm 2309.4; 2 pm 2307.2; 3 pm 2303.3; 3.30 pm 2299.0; 4 pm 2298.2 [illegible] NAME CHANGE: St. Ives Group (32) has become St. Ives.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	19	67	16
Corporations, Dominion and Foreign Bonds	17	1	23
Industrials	364	363	872
Financial and Properties	217	117	344
Oils	25	31	37
Plantations	2	1	6
Mines	45	42	75
Others	110	37	99
Totals	799	659	1,472

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Dec 4
- Last Dealings Dec 15
- Last Declarations Mar 8
- For settlement Mar 19

For rate indications see end of London Share Service

Calls in City Centre Restrnts., European Home Prods., Ferranti Intl. Signal, Amstrad, Phoenix Timber, Diploma, Tuskar Res., Summer Intl. Puts in Ratners, Ferranti Intl. Signal.

LONDON TRADED OPTIONS

THE traded options market continued its strong start to December yesterday with 31,462 contracts traded. The total was made up of 18,546 calls and 12,916 puts. Interest was concentrated on the FT-SE 100 index option and the Asda stock option.

Asda Group issued a profit warning which pushed the share price down 15p to 117p. This prompted substantial call buying as investors exploited the lower share price.

There were also buyers of Asda puts. Here the January 130 puts proved popular with 240 contracts traded.

Asda was the most traded stock option with 1,702 contracts, divided between 1,164 calls and 538 puts.

British Gas was also busy with 1,420 contracts traded, of which 419 were calls and 1,001 puts. The busiest series were the December 200 puts in which 1,000 contracts changed hands.

The other leading stock option contracts were Hanson with 1,096 contracts traded, Trusthouse Forte in which 879 contracts were traded and BTR where 871 contracts changed hands.

The FT-SE Index options traded a total of 11,645 contracts divided between 4,060 calls and 7,585 puts. The most active trading was in the December 2,200 puts with 2,002 contracts traded and in the December 2,350 series with 1,096 contracts.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*487)	420	72	90	98	2½	7	12
	460	40	62	68	8	15	23
	500	16	37	47	30	34	40
ASDA (*116)	120	9	13	20	10	13	16
	130	4	9	16	17	20	22
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Shell Trans. (*456)	420	50	58	70	4	12	15
	460	20	28	45	15	21	27
	500	5	14	–	45	45	–
Storehouse (*114)	110	8	14	17	5½	9	11
	120	4½	9	12	11	14	17
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Fe	Calls May		Puts Fe	Puts May	
Plessey (*268)	260	11	–	–	½	–	–
	280	¼	¼	–	–	–	–
Option		Jan	Mar	May	Jan	Mar	May
Ferranti (*41)	45	3½	6	8	8	10	11
	50	2	4	5½	11	13	14
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK COMPANY NEWS

£73.8m increase in turnover partly balanced by £65.4m fall in incoming orders

Westland up to £21m after lower exceptionals

By David White, Defence Correspondent

A FALL in new orders provided a sobering background to Westland Group's recovery for the year to the end of September, when its pre-tax profits rose 19 per cent from £17.4m to £20.7m.

Incoming orders at the helicopter group fell by £65.4m to £347.7m. This was despite an increase in non-military orders, which according to Mr Alan Jones, chief executive, made up 40 per cent of the total.

Mr Jones said he hoped that Westland would be able to maintain this non-defence share and to sustain the current rate of helicopter orders.

However, he made clear that firm buys from the Ministry of Defence for the EH101, the naval and utility helicopter Westland is developing jointly with Agusta of Italy, were not expected for another 12 to 18 months.

He said it was also uncertain when Saudi Arabia would order the Sikorsky-licensed Black Hawk helicopters which it was due to buy under the framework arms deal signed last year between the UK and Saudi governments. But Westland had prospects for selling the helicopter in two other Middle Eastern countries and one Far Eastern country, Mr Jones said.

The profit recovery stemmed from a sharp reduction in exceptional losses. The previous year's figure of £13.2m, due to problems in a Sea King contract to India, was cut to £3.2m. This included a £4.5m provision for restructuring at the Westland Technologies subsidiary, where plans to shed 420 jobs were announced in October.

Operating profits, 21 per cent down before interest at £30.3m, reflected a smaller number of profitable helicopter deliveries, more private venture spending in helicopters and the "disappointing performance" of Westland Technologies.

Tony Andrews

Alan Jones – hoping Westland can maintain its non-defence share, which makes up to 40 per cent of its total orders

Mr Jones said the company's effort to make its non-military side cost-effective was "a signal for the future".

Sales for the year increased to £431.9m from £358.1m, with 69 per cent coming from helicopters and customer support.

Earnings per share, after exceptional items, rose to 10.7p from 6.6p. The recommended final dividend stays at 2.25p per share, making an unchanged total of 3.5p.

● COMMENT

The results may be somewhat better than expected but Westland's troubles will not be abated until it gets an order for a new helicopter, and that may be some time. Probably the best thing to be said is that the company's position is unlikely to become much worse. In the interim, it is having to count on continuing export orders for its Lynx, which has been flying for 18 years. There is no doubt that an upsurge in orders is around the corner but the question is when. These are the first full-year figures since GKN took up a 22 per cent holding, strengthening confidence about Westland's long-term future. But expectations of a full-scale bid from GKN have subsided. The attraction of such a move may be reduced by uncertainties about future UK defence requirements.

Kuwait gets taste of Ramsden's

By Jane Fuller

HARRY RAMSDEN'S, the world's biggest fish and chip shop, has created an appetite for its shares in Kuwait.

No sooner were 4m of the Yorkshire company's shares floated on the Third Market last week than the Kuwait Food Company, one of that country's biggest concerns, snapped up nearly 12 per cent of them.

This has helped drive up the share price to 113p from the 100p flotation price, at which it was 2.6 times subscribed.

The Kuwait Food Company has restaurants and food-processing interests in various Arab countries. It is an agent for such companies as Wimpy, Kentucky Fried Chicken and Pizza Hut. One of its activities is to run bakeries for English cakes.

Mr John Barnes, Ramsden's chairman, said: "If this is an opportunity to take Harry Ramsden's to the Middle East, we will follow it up tout de suite." He is keenly pursuing more information.

Ramsden's, famous for its restaurant near Leeds, is planning to expand overseas, via franchises, in Australia, New Zealand and Singapore. Mr Barnes thought appetites might have been whetted elsewhere by an item about the company on the BBC World Service business programme.

He did, however, stress that there was no hint of a change of control at Ramsden's. Only 50 per cent of the shares had been floated and many of those had gone to "a legion of loyal, traditional Yorkshire shareholders".

One of the tasters for the shares, which will now be available to a representative of the Kuwaiti company, is that each shareholder can claim a 20 per cent discount on meals at the restaurant from Monday to Thursday.

Emess in agreed bid for Royal Sovereign

By Andrew Bolger

EMESS, the lighting and electrical accessories group, yesterday made a recommended offer for Royal Sovereign Group which valued the graphics and stationery supplier at £19.5m.

Emess already owns 29.98 per cent of the ordinary shares in Royal Sovereign and its offer is for the remaining ordinary and convertible preference shares in the Third Market company.

Emess has remained a substantial shareholder in Royal Sovereign since 1986, when it sold its paper wholesaling business to Royal Sovereign in exchange for its then holding of 60 per cent. Emess' stake has been diluted by Royal Sovereign's policy of expansion through acquisition in the UK and Europe.

Both companies said they believed the financial resources of Emess, and its extensive overseas marketing and distribution expertise, would enable Royal Sovereign to enhance the value of its businesses internationally.

Emess is offering five of its ordinary shares for two ordinary shares in Royal Sovereign. Emess shares closed at 96p, down 4p. Royal Sovereign shares jumped to 220p, up 65p.

Emess is offering 42 of its convertible preference shares, which closed down 3p at 93p, for every 61 convertible preference shares in Royal Sovereign, which closed unchanged at 60p. There is also a loan note alternative.

Emess, which has interests in Europe, the US and Hong Kong, is mainly involved in commercial lighting. In the first six months of the year, its pre-tax profits rose 62 per cent to £3.2m on turnover of £67m.

In the same period, Royal Sovereign's pre-tax profits increased by 16 per cent to £912,000 on turnover of £7.91m.

Tern warns about second half losses

By Vanessa Houlder

Tern, the USM-quoted construction development and estate agency group, yesterday announced that it would sink further into loss in the second half of the year.

The increased loss, which was blamed on problems in the estate agency chain based in the south east of England and timing delays in the property division, dashed hopes expressed at the half-year stage that the company would return to profit. In the six months to June 30 it made a pre-tax loss of £2.86m.

Yesterday's announcement followed the resignation of Mr James Butterfield, the chairman, on Friday. He said he had always intended to withdraw from Tern once Mr Peter Hickson, who joined as group managing director in mid-September, was in place. Also on Friday Mr Charles Verrall, a former finance director of Westland group, was appointed a director.

Tern's shares closed 2.5p lower at 8p.

Haden shares fall 25p on revised forecast

By Jane Fuller

SHARES in Haden MacLellan Holdings, the industrial group, fell 25p to 178p yesterday on the news that pre-tax profit would not reach expectations.

Delays in US contracts for paint spraying plant and more difficult UK conditions were blamed for the revision.

In the six months to June 30 the company made £6.3m pre-tax profit on turnover of £127.7m. When these figures were announced in late September, the full-year profit forecast from the company's stockbroker, Barclays de Zoete Wedd, was £24m.

BZW said yesterday this had been toned down to £20m, which would still represent an 80 per cent increase on last year's £11.1m.

Mr Philip Ling, chairman of Haden MacLellan, said the reason for the announcement was that "the market was getting a bit frothy. We needed a more sober view of our shares."

The main cause of the reduced expectation was that some paint plant contracts for US motor manufacturers would be completed next year rather than this.

The North American part of the company incurred a loss of nearly £900,000 in the first half. But the influx of orders is such that it is expected to contribute £7m to the £24m pre-tax profit forecast for 1990.

Mr Ling said UK subsidiaries, which included a nursery equipment maker and nuts and bolts distributor, were in less buoyant conditions.

He also mentioned higher interest charges as a factor affecting the second half. The company is 25 per cent geared.

Wace expands printing side via £6.7m purchase

By John Ridding

WACE GROUP, the pre-press services company, is expanding its printing operations through the acquisition of John Green & Son, a USM-quoted screen printing company, for £6.7m.

Wace is offering 100p cash per Green share or 9 new Wace shares for every 28 Green shares. It has already received acceptances from Green's directors, representing 70.4 per cent of the total. Yesterday, Green's shares rose 7p to close at the offer price.

Green operates in two principal areas – garment decoration and "point-of-sale" display material. Its client list includes UK clothing manufacturers and high-street retailers.

In the year to November 4, Green reported pre-tax profits of £679,000 on sales of £3.86m.

Mr John Clegg, Wace's managing director, said that "screen printing has traditionally been a fragmented industry, similar to the pre-press industry five years ago before Wace began its expansion programme". As a result, he anticipated "major opportunities in this niche printing market".

According to Wace, while advertising remains a growth area, it is generally accepted that the below-the-line areas of promotional/point-of-sale material are currently expanding more rapidly.

Green's board cited both the increasing expense of expansion in the industry as technology costs rise and Wace's financial resources as its reasons for accepting the offer.

Graig Shipping

Graig Shipping, the freight and fuel distribution group, suffered a fall in pre-tax profits from £2.08m to £1.64m in the six months to September 30.

This downturn was largely due to the absence of profits from the sale of shipping – a disposal last time realised a profit of £871,000. Turnover, however, was strongly ahead, by 63 per cent to £17.37m (£10.67m).

Tax took £573,000 (£728,000), leaving earnings at 10.6p (13.5p). The interim dividend has been lifted from 1.5p to 2p.

Colorgraphic warns

Colorgraphic, the USM-quoted direct-mail specialist, yesterday warned that profits would not meet expectations because of a series of accounting errors in a subsidiary.

Mr Nick Winks, chief executive, described the errors as "an isolated incident which has now been resolved". Despite the problem he said that profits would exceed those of 1988 and the planned final dividend would not be affected.

McCarthy & Stone sells Homelife to BUPA

By Nikki Tait

McCARTHY & STONE, the sheltered housing specialist, the shares of which have collapsed from more than 350p a year ago to about 100p at present, yesterday announced that it had sold its nursing homes subsidiary, Homelife, to BUPA Investments for £9.2m cash.

Homelife takes in five freehold homes with 271 beds. BUPA Investments will have a total of 13 homes and about 600 beds following the acquisition.

Homelife incurred a loss before tax of £685,000 in the year to end-August, after interest charges of £382,000 and administration costs of £295,000. Net assets were £8.67m.

McCarthy has already made warning noises about the downturn in the sheltered housing market. It sold only 580 retirement units in the UK in the six months to end-August, the end of its financial year, against 1,634 in the same period a year earlier, and only 1,571 units for the full financial year against 2,596 in 1987/8.

Although the depressed conditions have continued, McCarthy confirmed that it will be issuing its preliminary statement on time, on December 15, and hopes the market will start to improve next spring.

Proceeds of the latest disposal will go to cut gearing, which was about 75 per cent at end-August 1988 and had risen further.

Yesterday, McCarthy shares added 2p to 107p.

Higgs & Hill resignation

By Clare Pearson

Mr John Adams, dissident director of Higgs & Hill, yesterday resigned as deputy chairman on the eve of the publication of the company's defence document in the face of a hostile takeover bid from YJ Lovell, fellow housebuilding and construction concern.

The rest of the board voted last month to remove Mr Adams from the deputy chairmanship and request his resignation from the board after, in a lone move, he recommended acceptance of the £138m cash-and-shares offer.

The bid, announced on November 20, came four months after the companies broke off discussions about a possible agreed merger.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
ACAL §	int	1.56	Feb 1	1.35	-	4.05
Alexon Group	int	5	Feb 2	4	-	10.5
Continuous Stat	int	1.2	Feb 1	0.9	-	3.5
Dobson Park	fin	3.85†	Mar 2	3.6	5.75	5.5
Gaynor Group §	fin	nil	-	1.8	1.2	3
Graig Shipping	int	2	-	1.5	-	4
Hazlewood Foods	int	1.8†	Jan 24	1.5	-	4
M&G Group	fin	8	Jan 18	5	12.5	8.5
Sheraton Sec	int	2†	Jan 15	1.5	-	4.5
Smithkline B'ham	int	2	Jan 16	-	-	-
Sterling Pub §	int	1.5	Feb 2	-	-	4.5
Syltone	int	2	Feb 9	2*	-	6.75*
Thwaites (Dan) §§	int	0.4	-	0.3	-	2.5
Unit Group ♦	int	2.5	Jan 4	2.5	-	5
Warringtons	fin	1	Jan 22	1‡	2	1‡
Westland Group	fin	2.25	Feb 16	2.25	3.5	3.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡For nine months.

Warringtons trebles to £2.07m

By Clare Pearson

Warringtons, the property development group in which Alfred McAlpine has a 41 per cent stake, yesterday accompanied the announcement of a striking increase in full-year pre-tax profits from £630,000 to £2.07m with an optimistic statement on prospects.

Mr Graeme Jackson, chairman, said that despite the current UK economic climate he had confidence in the company's future, and was recommending a doubled dividend payment for the year of 2p.

Net turnover in the year to end-September stood at £26.07m (£11.62m). Earnings per share were 6.5p (1.6p).

Mr Jackson said his confidence was partly based on the concentration of Warringtons' activities in the north-west, rather than south-east, of England. The company has also reduced its exposure to the UK economy through acquisitions and investments in the US and Europe.

Warringtons recently completed the purchase of McAlpine's property assets through the £24.3m acquisition of properties in the north west, Wales, Gibraltar and the US. Mr Jackson said the company also intended to take advantage of more readily available land in the north-west.

US acquisitions help Dobson Park to £19.2m

By John Ridding

TWO US acquisitions in the industrial electronics sector helped Dobson Park Industries, the mining equipment and engineering group, improve pre-tax profits from £17.7m to £19.2m for the year to the end of September.

Mr Alan Kaye, chief executive, described the results as encouraging.

He said they reflected the group's strategy of reducing dependence on the traditional core business of coal mining equipment, which was facing depressed demand, in favour of higher growth areas.

Mining equipment remained the single largest division, increasing profits from £7.61m to £8.19m.

But the purchase of Transducers, which makes weighing machines and aerospace equipment, and Elgar Electronics, manufacturer of power supplies, lifted the industrial electronics division from £3.47m to £7.32m.

Mr Kaye said a full contribution from Elgar, which was only included for two months, would mean that industrial electronics would next year overtake mining equipment and contribute about 40 per cent of profits.

Of the group's smaller divisions, toys and plastics raised profits from £2.51m to £2.78m, but power tools saw a fall from £2.56m to £1.78m because of disruption caused by transferring production to a new factory.

Pre-tax profits also suffered as a result of a £845,000 provision against Raillwolf, an Indian power tools manufacturer. Dobson has a 30 per cent stake but that will be diluted to 15 per cent following a planned rights issue.

Turnover increased from £236.22m to £261.41m. Earnings per share rose to 12.09p (11.49p) and the final dividend is 3.85p for a total of 5.75p (5.5p).

● COMMENT

The fact that Dobson has recorded its sixth straight year of increased profits and earnings per share is impressive given its traditional dependence on the mining industry and British Coal in particular. While others, notably Dowty, have sold out from the declining industry, Dobson has restructured at little cost on a net cash basis. But mining remains the largest division, and British Coal the single biggest customer. Flat profits from the division is consequently the best that can be hoped for over the next year. Industrial electronics is looking a shrewd area of diversification, but in the short term will be constrained by the impact of a slowing US economy. With toys continuing to perform well and a limited recovery in power tools, 1990 should see pre-tax profits reach £22m. But, despite the low prospective multiple of a little less than eight, Dobson remains of more interest as a story of a defensive industrial strategy than as an investment. However, the high yield and the attraction of the shares to income funds limit the downside.

UK COMPANY NEWS

Revamped Alexon bucks trend with 68% growth

By Alice Rawsthorn

ALEXON, the women's wear group, bucked the slump in the clothing industry to increase pre-tax profits by 68 per cent in the six months ended September 30, from £5.5m to £9.26m.

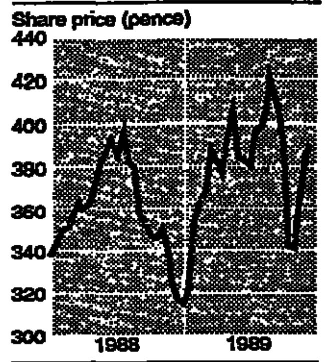
Last year Alexon expanded its branded women's wear interests by taking over Ellis & Goldstein, with names like Eastex and Dash. It has since closed or sold the loss-making businesses and is now reorganising Eastex and Dash.

Turnover rose to £75.44m (£46.84m) and operating profits to £9.17m (£5.57m). In addition, there was an exceptional £905,000 from the profit on the sale of E&G's old headquarters at Brick Lane, in east London.

Fully diluted earnings rose to 18.22p per share (15.36p). The interim dividend is increased by 1p to 5p.

Many clothing companies have encountered problems in recent months because of increasing imports and poor demand. Alexon experienced erratic sales growth in its retailing division – which includes Alexon, Eastex and Dash – although overall sales rose to £47m and operating profits to £4.8m.

Alexon Group



The Alexon brand regained momentum after a sluggish first quarter, and Eastex benefited from cost cutting and management changes. Dash ran out of stock in the summer, after strong sales in the spring.

The manufacturing division, which is one of the larger women's wear suppliers to Marks and Spencer, increased its sales to £39m and operating profits to £3.7m.

Mr Peter Wiegand, chairman, said the strong sales growth at Alexon and Dash in the second quarter had continued into the current half.

● **COMMENT**

In the last year or so the clothing industry has been in the doldrums, yet Alexon emerged unscathed. The efficient production practices and strong controls that strengthened it in the good times have been invaluable in the bad. Eastex and Dash already bear the benefit of management changes. There is further scope for cost cutting at Eastex – as more concessions close – but it will take until spring 1991 before Alexon can really revitalise design and merchandising. Dash is to be expanded, with new shop openings, and its ordering system has been brought under control. In the meantime the City expects profits of £21m for the full year putting the shares – up 5p to 390p yesterday – on a prospective p/e of 10. The shares should rise on fundamentals, but Alexon faces a tough task in overcoming the City's disenchantment with the clothing industry.

Rutland buys 75% of Leasecontracts for maximum £19m

By John Ridding

RUTLAND TRUST, the financial services group, is expanding its vehicle contract hire business through the acquisition of 75 per cent of Leasecontracts for a maximum consideration of £18.8m.

Leasecontracts, a private company which operates at the upper end of the car leasing market, was formed in 1984 as the first management start-up backed by Citicorp in the UK. It now has a total fleet of about 10,800 vehicles and about 380 corporate clients, including Cazenove, Hewlett Packard, and Siemens.

Mr Michael Langdon, Rutland's chief executive, said he regarded vehicle leasing as a growth area and that Leasecontracts would complement its existing asset financing operations. The technology group section of this division specialises in lease financing and sales aid schemes.

The structure of the deal is in line with Rutland's previous acquisitions and is aimed at providing continuing management incentives.

Rutland will initially pay £13.3m for the 75 per cent stake, £10m of which will be paid in cash and the balance in loan notes and shares. A further £5.5m will be paid depending on profits up to June 1991.

Following the acquisition, the management team will retain a 25 per cent stake and be bought out over a 5-10 year period based upon performance and valued at a fixed discount to Rutland's p/e ratio.

According to Mr Langdon, the new business is relatively well protected from economic slowdown because the majority of its contracts are on a three year basis and because of the nature of its client list. He described the deal as "definitely earnings enhancing" and that the initial consideration represented a historic price/earnings ratio of 8.3.

In the year to the end of May 1989 Leasecontracts reported pre-tax profits of £2.7m on sales of £32m. Net assets at that date stood at £3.6m.

Sterling Publishing jumps 78%

TAXABLE PROFITS at Sterling Publishing, the USM-quoted trade and technical publisher which also owns Debrett's Peerage, jumped 78 per cent in the six months to September 30 – from £522,000 to £929,000.

The company said that "the strong advance in the first half reflected the strength of the group's traditional business in advertising-financed annual publications".

It added that there was also a one-month contribution of £164,000 from the majority-owned US subsidiary Jami Marketing Services.

Turnover rose 50 per cent to £8.97m (£5.98m), with the publishing figure at £6.88m (£5.98m) and the list broking and management of Jami contributing a first-time £2.09m. Interest took £266,000 (£139,000).

Earnings worked through at 2.56p (1.91p) per share and, in the light of the group's "encouraging circumstances", a maiden interim dividend of 1.5p will be paid.

A final no to Guiton from Guernsey Press

By Jane Fuller

THE FIRST takeover battle between two Channel Islands company has entered its final week with a blast from Guernsey Press, publisher of the island's only newspaper, designed to "expose Guiton's management weaknesses".

Mr Chris Sackett, managing director of Guernsey Press, said: "It is quite staggering and implies a serious lack of judgment for Guiton to launch a major hostile bid in a year when its pre-tax profits are falling."

Guiton, publisher of the Jersey Evening Post, has made a final offer of 300.9p per Guernsey Press share, now standing at 240p, with 50 per cent available in cash. The bid closes on Friday.

In a document entitled A Final No to Guiton, Guernsey Press attacks Guiton's investment record, for example in an envelope printing machine which it says has been at best marginal.

It says the cash alternative to the 118-for-100 all-share offer would increase borrowings by more than £2m, incurring substantial interest payments.

It tells its shareholders that the net asset backing per share would plummet compared with the Guernsey Press figure, and claims Guiton would have to sell assets to repay borrowings.

Mr Walker replied that his company's trading profit would show a 15 per cent increase, and the envelope printing machine had been profitable for the past 4½ years.

Interest charges would slightly reduce profit at the pre-tax level, but the sale of Blue Coach Tours and good cash flow would cut gearing to a low level.

If the takeover succeeded, the new group would have an acceptable level of borrowings and assets would not have to be sold to pay them off.

Policy shift helps Cont Stationery to £916,000

SALES GROWTH in all divisions and a change in policy on the business forms side enabled Continuous Stationery to lift turnover and profits in the half-year ended September 30 1989.

From turnover 31 per cent ahead at £10.05m (£7.69m), the profit rose 14 per cent to £916,000 (£802,000). An increase in capital meant that earnings were held to a maintained 3.54p.

The interim dividend is raised to 1.2p (0.9p) to reduce disparity with the final, although the directors hope to increase the year's total.

Mr Bill Eastwood, chairman, said the decision to reduce dependence on manufacturing and concentrate on distribution in business forms proved well justified, as there had been further pressure on manufacturing margins because of over-capacity.

In the Prontaprint division turnover had been some 14 per cent up, stemming from increased activity and improvements in the poorer performing outlets.

ACAL advances to £2m fuelled by European growth

With the main thrust coming from continental Europe, ACAL lifted both sales and profit 17 per cent in the half-year ended September 30 1989.

The group is USM-quoted and an electronic and industrial controls agent. Yesterday it also announced another acquisition for Fl 3.9m cash (£1.2m).

In the half-year sales were £24.3m (£20.83m) and pre-tax profits £1.99m (£1.7m). Earnings worked through at 8.4p (7.6p) and the interim dividend is raised to 1.56p (1.35p).

West Germany, the Netherlands and Belgium in particular provided the majority of the improvement. With the current level of orders the group expected to record further sales and profit growth for the second half.

The latest acquisition is that of Bodamer Group in the Netherlands and Belgium, which acts as exclusive agent for international electronic component makers, but handles products complementary to ACAL.

For the nine months to September its sales were Fl 6m and pre-tax profit Fl 626,000.

Near 15% lift at Syltone

SYLTONE, the transport engineering services group, increased its pre-tax profit nearly 15 per cent to £980,000 in the half-year ended September 30, compared with £854,000 last time.

The increase followed a consolidation of operations towards the design, manufacture and fitting of equipment for the international transport market.

Mr Tony Clegg, chairman, said overall conditions were favourable, with UK markets quieter than last year when production capacity was stretched to a maximum. European businesses continued to grow. Group turnover rose 11.5 per cent to £15.17m (£13.6m).

Earnings were 7.7p (6.8p) and the interim dividend is again 2p.

On the second half, Mr Clegg said order books were already shorter but progress should be maintained provided present conditions did not worsen.

BBB Design rises 45% to £321,000

Pre-tax profits of BBB Design Group, the USM-quoted design, publishing and marketing, and computer-related services company, rose by £100,000 to £321,000 in the six months to October 31, an increase of 45 per cent.

Mr Philip O'Donnell, chairman, said he looked forward to a satisfactory result for the year. It was the board's intention to pay a combined interim and final dividend when the full year's results were published.

Turnover for the period was up from £1.26m to £1.48m; earnings per share were 2.52p (1.74p).

Image Store placing on Third Market

Image Store, a greenfield company making computerised archive storage systems, is coming to the Third Market via a placing which values it at £4.73m.

Some 2.8m ordinary shares, representing 22.5 per cent of the enlarged equity, are being placed at 38p each. Proceeds will be used for the development and marketing of optical disk storage systems.

Image Store is acquiring the intellectual property rights and other assets relating to these products from Scan Image Data.

Sponsor to the placing is Corporate Broking Services.

Unit Group falls to £477,000

Unit Group, a Third Market-quoted manufacturer of timber pallets and precision engineering components, experienced a downturn in profits from £553,000 to £477,000 pretax for the half year ended September 30.

The directors blamed the 14 per cent setback on the Unit Reels and Drums subsidiary which moved from profit to loss. However, the loss-maker was sold last month for £1.67m and the transaction should throw up an extraordinary surplus of £450,000 in the second half.

Although cautious about the remainder of the year the directors were, nonetheless, encouraged by the order book for early 1990.

And with the sale of the loss-making offshoot they expected second half profits to exceed the £489,000 returned for the same period of the 1988-89 year.

First half turnover totalled £13.9m (£12.21m). Earnings fell to 6p (9.8p) but the interim dividend is being maintained at 2.5p.

DBS Management surges to £210,000

DBS Management, the large network of independent financial advisers, achieved a pretax profit of £210,000 in the half year ended September 30 1989.

That was well up on the corresponding £66,000 and the £152,000 made in the whole of the previous year.

Mr Ken Davy, chairman, said the company had enjoyed an excellent start to the current year, recruitment targets had already been exceeded and membership enquiries continued at a high level.

Lyons Irish outlook 'not unfavourable'

Lyons Irish Holdings, the Dublin-based investment holding company, raised pre-tax profits by 9 per cent from I£2.45m to I£2.67m (£2.52m) in the 28 weeks to September 16.

Turnover rose more than 7 per cent to I£18.27m (I£16.99m). After tax of I£265,000 (I£320,000) earnings per share grew to 16p (14.3p). The interim dividend has been lifted from 3.8p to 4.68p.

The company said the outlook for the remainder of the year was not unfavourable.

UK COMPANY NEWS

M&G tops City forecasts with 31% rise to £30m

By Nikki Tait

M&G GROUP, Britain's largest unit trust fund management company, yesterday beat analysts' forecasts by announcing a 31 per cent rise in pre-tax profits in the year to end-September.

M&G made £30.1m before tax in the 12 months, compared with £23m in the difficult 1987-88 year. The profits recovery, from the static figure a year earlier, was some £1m better than market forecasts and the shares rose 8p to 280p.

At the earnings per share level there was a 33 per cent improvement to 26.75p. The final dividend is 8p a share, bringing the total for the year to 12.5p, up 47 per cent on last time's 8.5p.

M&G said yesterday that both gross and net unit sales during the period had been at record levels – with the latter figure reaching £277m, against just £22m in the depressed conditions a year earlier. This was aided by the launch of the European Dividend Fund at the end of the financial year. The new fund brought in £61m by end-September, a figure which has since increased to £73m.

The company calculates that its share of the unit trust market, based on customer accounts, stood at a little less than 11 per cent in September, compared with less than nine per cent two years earlier. The number of unitholder accounts rose to 569,000, against 493,000 in September 1988, and unit trust funds under management increased from £3.53bn to £4.68bn.

Paddy Linaker – outlook quite good for world economy

M&G added that there had been a "marginal" reaction from investors to the "mini-crash" two months ago in the UK, but conceded that business was very quiet at present. It said that it expected this lull to continue until the New Year, December being a traditionally quiet period.

During the year, marketing and commissions expenditure rose sharply to £13.7m (£8.47m) while administration costs saw a more limited increase from £10.9m to £13.8m. The profit from long term insurance business funds increased to £5.2m (£4m), with funds under management standing at £1.45bn (£1.08bn).

There was a doubling of funds managed on behalf of institutional clients at £1.66bn, but funds in high interest cheque accounts fell from £103m to £48m. M&G said this drop largely reflected the movement of some in-house funds.

Operating profit of the group, therefore, totalled £24.5m (£18.3m), while interest receivable and investment income added another £5.54m (£4.73m).

On the current investment climate, Mr Paddy Linaker, managing director, said that he believed the outlook was quite good for the world economy generally, and Europe in particular, but that there were some question-marks over the US and, to a rather greater extent, the UK.

See Lex

Sheraton exceeds £12m mark

By Nikki Tait

SHERATON SECURITIES, the property development and investment group, yesterday announced pre-tax profits up from £9.14m to £12.5m in the six months to end-September.

Rental income in the period increased by 73 per cent to £1.37m, while trading income rose from £9.1m to £14.4m. Net interest payable, however, chipped away £1.9m, against a nil charge last time.

After tax of £3m (£2.25m), earnings per share were 7.4p, up from 5.4p. The interim dividend goes up to 2p (1.5p).

With Cassandra-like warnings overhanging the UK property market generally, the company acknowledged that there had been "some evidence of a slow-down in the take-up of new commercial space" but said that this was having little direct effect on its own developments. "Take-up has been pretty much at the same speed," commented Mr Peter Taylor, managing director.

Gearing at the last year-end was more than 140 per cent. However, the company said yesterday that it had taken action to reduce the figure, and planned to continue to do so through selling of developments, arranging forward sales and more joint ventures. It added that, by the year-end, the gearing figure was expected to be below 100 per cent.

Interest charges peg Thwaites rise to 17.7%

Increased profits from the brewery and Thwaites Inn led to a 31 per cent increase in the operating profits of Daniel Thwaites, the unquoted brewer. But an increase in interest charges from £826,000 to £1.37m left pre-tax profits up by 17.7 per cent to £2.98m in the half year to September 30.

The higher interest resulted from construction costs of the Solent hotel and the two new hotels at Bristol.

Turnover during the period increased from £25.72m to £29.58m. Earnings per share were up from 7.6p to 8.9p after tax of £1.01m (£860,000). The interim goes up from 0.3p to 0.4p but the board said that did not necessarily mean that the total would be increased.

WB £4.5m disposal

WB Industries, the Midlands-based manufacturer of springs and presses, yesterday announced the £4.5m disposal of E & R Foam, its open cell PVC foam business, to Fordlane, a newly-formed company controlled by a management buy-in team.

WB Industries will retain a 33 per cent interest in the company and the proceeds of the sale, together with those from its recent rights issue, will eliminate the group's borrowings.

IEP increases stake in Budgens to 9.4%

By Nikki Tait

IEP SECURITIES, one of Sir Ron Brierley's companies, has raised its stake in Budgens, the supermarket group, to 9.4 per cent.

This follows the purchase of an additional 1.025m shares (1.17 per cent) on November 8. IEP said that Budgens had been notified at the time, and did not know why the announcement had only been made yesterday.

No one was available to comment at Budgens.

IEP first acquired a significant stake in Budgens when it looked as if an agreed bid by William Low, the Scottish food retailer in which IEP had a long-standing interest, was likely to go through. It explained its share purchasing as a cost-effective way of maintaining its holding in Low. However, in a highly unusual move, Low subsequently backed out of the deal.

Yesterday, IEP said that it had bought the additional Budgens shares when the price was less than 95p and that the move represented an "averaging down" of price paid for its stake.

Metal Closures continues to oppose Wassall bid

By Andrew Hill

METAL CLOSURES Group yesterday repeated its opposition to the hostile bid launched last week by Wassall, the ambitious mini-conglomerate.

Wassall posted its offer document on Friday, within 24 hours of announcing the bid, which values MCG, a bottle-top manufacturer, packaging and printing group, at about £42.7m.

The cash-and-shares offer is worth about 165p a share at yesterday's market prices, against the MCG closing price of 172p, up 4p.

MCG has until next Friday to issue a formal defence document. Yesterday it said the Wassall offer document added nothing to the earlier statements and it continued to urge shareholders to reject the bid.

Suter, the industrial holding company headed by Mr David Abell, has already committed its 29.9 per cent holding in MCG to the cash alternative of 160p a share.

Hazlewood Foods advances to £24.5m

By Clare Pearson

HAZLEWOOD Foods, the manufacturing group, recorded a 21.5 per cent rise in pre-tax profits, from £20.13m to £24.46m, in the half year to the end of September.

The group, which has made a string of acquisitions in recent years, is currently conducting a review of operations. Yesterday it said: "All divisions . . . are actively progressing programmes of product innovation and restructuring will result in a major reassessment of operations to ensure adequate profit growth."

Profit was struck after a sharply increased interest charge of £3.9m (£1.63m), reflecting the weight of borrowings, mostly in Dutch florins, incurred to fund acquisitions. Gearing stood at 120 per cent at September 30.

Mr Dennis Jones, finance director, said he did not consider these borrowing levels unacceptable, given very healthy interest cover. However, the group would be prepared to make disposals, with the effect of improving the balance sheet, if any such moves seemed appropriate.

During the first six months the company disposed of a UK distribution business and Crystallised Confections. Four acquisitions have been made so far.

When Hazlewood announced full-year results in June, it said there would be about £4m costs to be taken above the line in 1989-90 associated with the internal development.

There was no profits breakdown but Mr Jones estimated that acquisitions contributed about 20 per cent of the 30 per cent growth in operating profits. Geographically, profits were divided as to 45 per cent for Continental Europe and 55 per cent for the UK.

Trading margins were more or less maintained on turnover of £271.76m (£206.8m). Operating profits from the chilled food division, accounting for about 15 per cent of the group, were some 10 per cent lower. This reflected the impact of food scares on recipe dishes.

Earnings moved ahead by 18 per cent to 8.71p (7.39p). The interim dividend is 20 per cent higher at 1.8p (1.5p).

● COMMENT

Hazlewood, one-time stock market favourite, stands at the crossroads at the moment. Use of words like "restructuring" and "reassessment" cast little light on what type of action it has in mind. It is pretty clear, however, that the move or moves will be significant rather than piffling. Though the company says it does not mind about its gearing, it must be aware that many would be keener to see a stronger balance sheet, so a large disposal cannot be out of the question. Leaving aside these uncertainties, the results were in line with expectations. Full-year pre-tax profit forecasts of about £58m put the shares on a prospective p/e of just over 11.5. It is hard to imagine the company regaining much of a premium rating, but there is certainly scope for improvement in the future should the visible effects of its plan to achieve above-average growth through internal development start to emerge.

Assoc British Eng surges to £603,000

Continued progress was shown by Associated British Engineering in the half year ended September 30 1989.

Including an exceptional credit of £172,000, the pre-tax profit rose from £352,000 to £603,000, on turnover ahead to £17.81m (£15.1m). Earnings were 0.21p (0.11p).

Although the outlook for the UK economy was gloomy, the directors said the group had a strong balance sheet, a good order book, and a well spread presence in the commercial catering equipment market. "We expect to continue to make progress in the second half," they stated.

In the half year catering equipment increased its profit contribution to £320,000 (£241,000) and electrical engineering turned round strongly to a £50,000 profit (£124,000 loss).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Alphameric, Allied Colloids, Anglo United, Atkins Brothers (Hosiery), BTP, Bogod Group, Boscombe Property, Campbell & Armstrong, Crosby (James), Ensor, Evans of Leeds, FKB, General Electric, Morris Ashby, Premier Cons Oilfields, Reed Executive, Ritz Design.

Finals- Bailey (CH), Coalite, Eldridge Pope & Co, New Zealand Inv, United Scientific.

FUTURE DATES

Interims-

Airsprung Group	Dec. 7
Brasway	Dec 15
Douglas (Robert M)	Dec. 6
Joseph (Leopold)	Dec. 6
London Securities	Dec. 13
Moorgate Investment Trust	Dec. 13
Tiphook	Dec. 6

FT LAW REPORTS

Bank usage implies right to charge compound interest

NATIONAL BANK OF GREECE SA v PINIOS SHIPPING CO NO 1 AND ANOTHER

House of Lords (Lord Bridge of Harwich, Lord Brandon of Oakbrook, Lord Griffiths, Lord Goff of Chieveley and Lord Jauncey of Tullichettle): November 30 1989

A BANK'S right, implied by usage, to charge compound interest, is not restricted to current mercantile accounts, and subsists beyond the date of the bank's demand for payment of principal and interest, in that such demand does not automatically end the bank-customer relationship.

The House of Lords so held when allowing an appeal by the National Bank of Greece SA from a Court of Appeal decision that it could not charge compound interest on money owed by the first and second respondents, Pinios Shipping Co No 1 and Mr George Tsitsilianis.

LORD GOFF said that in 1975 Pinios agreed to buy a ship, the Maira. When it was delivered, 70 per cent of the price was outstanding, the balance to be paid in instalments secured by first mortgage on the ship.

The bank guaranteed payment of six instalments, secured by second preferred mortgage, and by personal guarantee from Mr Tsitsilianis. It was called on to pay two instalments by its guarantee.

The ship sank at sea in April 1978. Insurance proceeds were insufficient to enable Pinios to repay the bank under the second preferred mortgage.

On November 13 1978 the bank asked for repayment from Pinios and Mr Tsitsilianis, including compound interest. There was no response. In 1980 it began proceedings against Mr Tsitsilianis and, in 1981, against Pinios, claiming principal and interest.

Mr Justice Leggatt gave judgment for the bank, saying it was entitled to capitalise interest up to date of judgment, either on express words in the mortgage or because the parties' relationship remained unchanged after demand date.

The respondents appealed successfully on the compound interest point. The Court of Appeal held that the bank's entitlement to capitalise interest ended on date of demand, so that it was entitled only to simple interest from November 13 1978 until March 2 1988.

It rightly disagreed with Mr Justice Leggatt's view that the bank was entitled to compound interest on express terms of the mortgage. There was no such term.

On the present appeal Mr Pickering for the bank submitted its entitlement to compound interest arose from terms implied into the contract by bankers' custom or practice.

The need for a "mercantile account current for mutual transactions" which Lord Justice Lloyd and Lord Justice O'Connor stressed, appeared to have been derived from *Fergusson v Fyffe (1840) 8Cl & F 121*.

There the Lord Chancellor asked "can there be a title to compound interest without a contract expressed or implied from the mode of dealing with former accounts, or custom?" He said "Generally a contract or promise for compound interest is not available in England . . . except perhaps as to mercantile accounts current for mutual transactions."

That *dictum* could only have referred to the situation when the usury laws applied and should have been of little relevance after their repeal in 1854.

In *Deutsche Bank (1924-1936) (1931) 4 LDB 293* the Court of Appeal, relying on *Fergusson*, said *obiter* that the bank's right to compound interest ceased in 1914 when war stopped the current account continuing, or in 1918 when the account was closed.

That slender line of authority was the basis for the Court of Appeal's reasoning in the present case.

In *Bevan (1803) 9 Ves Jun 223*, usury laws imposing five per cent maximum interest were circumvented by the fiction of a series of staccato agreements whereby, at each half-yearly rest, it was presumed to have been agreed that interest due could "become principal and carry interest."

Bankers thus capitalised interest. After repeal of the usury laws they continued to follow what had become bankers' practice. It later became recognised as a usage implied into the contract.

In *Reddie v Williamson (1863) 1 Macph (Ct of Sess) 228, 237* Lord Justice-Clerk Inglis said a banker's privilege to balance the account at the end of the year and accumulate interest "is founded on this plain ground of equity that the interest ought then to be paid and, because it is not paid, the debtor becomes thenceforth the debtor in the amount as a principal sum itself bearing interest."

In *Parr's Banking [1898] 2 QB 460, 467* Lord Justice Vaughan Williams said "According to the ordinary practice of bankers" interest due was from time to time added to principal. In *Yourell [1918] AC 372, 385*, Lord Atkinson said that to secure compound interest by taking half-yearly rests was "a usual and perfectly legitimate mode of dealing." In *Holder [1931] 2 KB 81, 98*, Lord Justice Romer said capitalisation of interest was "in accordance with usage."

The status of the usage was put beyond doubt in *Paton [1938] AC 341, 349-350*, where Lord Atkin cited with approval the passage from *Reddie*. In *Oswald [1945] AC 360, 379* Lord Porter said *Paton* was a case in which the capitalisation of interest contract was a contract "constituted by custom of bankers;" and Lord Simonds said it was a case where interest was added to capital with half-yearly rests "according to the practice of bankers."

No case in which that usage had been recognised appeared to have been cited in *Deutsche Bank*. There was no reference in those cases to its restriction to mercantile accounts current for mutual transactions.

In *Paton* Lord Macmillan referred to the usage as prevailing "between bankers and customers who borrow from them and do not pay the interest as it accrues." Having regard to the statement in *Reddie* and the equity on which the usage was based, there was no good reason for restricting it any more narrowly than was set out in Lord Macmillan's simple statement. On the later authorities, in particular *Paton* and *Oswald*, the restriction to mercantile accounts current for mutual transactions had no application to the bankers' usage now well recognised by English law.

The question was whether the usage ceased to apply on demand for repayment.

The suggestion that a bank ceased on demand to be entitled to capitalise interest rested entirely on the authority of *Crosskill* and *dicta* in *Deutsche Bank*.

In *Crosskill* the reasoning was affected by the understanding that entitlement to capitalise was limited to an "ordinary mercantile current account." It was concluded that in the absence of special agreement, on closure of the account the bank ceased to be entitled to charge interest.

That was inconsistent with the "equity" on which Lord Justice-Clerk Inglis stated the banker's privilege to rest. If it were equitable that a banker should be entitled to capitalise interest at yearly or half-yearly rests because his customer failed to pay on due date, there was no basis in justice or logic for terminating that right simply because the bank demanded payment.

The cases cited showed the usage applied to annual and half-yearly rests. There was nothing to indicate it did not apply to quarterly rests. The respondents conceded the bank could charge compound interest with quarterly rests during the banker-customer relationship. There was no reason why that relationship should not have continued until repayment or judgment with the effect that so long as interest was payable, the bank was entitled to capitalise it.

The appeal was allowed. Mr Justice Leggatt's order was restored. Their Lordships agreed.

For the bank: Murray Pickering QC and David C Owen (Thomas Cooper & Stibbard). Pinios and Mr Tsitsilianis did not appear and were not represented.

Rachel Davies
Barrister

FINANCIAL TIMES SURVEY

The Markovic government is committed to attracting foreign investment through radical economic reforms, which have roused fierce opposition. Inflation and nationalist unrest have exacerbated the problems facing Yugoslavia. **John Lloyd** reports.

Tito Bridge: the construction industry is one of the cornerstones of the economy (see Page 5)

Printing money: inflation is now around 1,500 per cent

Yugoslavia Trade and Industry

Mixed economy facing reform

THE YUGOSLAVIAN leadership is now attempting to revive the class struggle. The reformists who are now trying to assert a central government presence are also seeking to destroy the social and economic consensus created under Josip Tito, in favour of a free market system in which struggle – economic competition, soon perhaps the clash of rival parties – will be the ruling order.

Generally, Yugoslavian reformism takes its place in the overall reforming matrix of East/Central Europe. The withdrawing tide of belief in communism among communists; the widening technical gap; the accelerating fall in living standards; and the impatience of workers and intellectuals with party tutelage all have their Yugoslavian resonances and examples. But the modes and contexts of reform are distinctly Yugoslav. The future of the Yugoslavian economy depends on the depth and breadth of these reforms.

Reform is at once easier and more difficult than elsewhere. It is easier in the obvious sense that the country developed market relations of a kind since the early 1950s; it has let people in and out fairly freely; it has been relatively lenient (compared to other one-party states) in its treatment of dissent; and it has, in its northern republics of Croatia and Slovenia, areas as advanced in some respects as capitalist countries, and with developing commercial cultures.

But the very prosperity of those republics has exacerbated Yugoslavia's chronic internal tensions, newly highlighted by a Serbian call for enterprises and consumers to boycott Slovenia, in protest at the northern republic's refusal to host a pro-Serbian rally.

The fact that Yugoslav socialism was internally developed rather than externally applied and that it has been relatively non-dogmatic and open, means it retains a deeper hold than in Poland and Hungary.

Ivan Ribnikar, dean of the faculty of economics at Ljubljana University and a man emerging as an important figure in reformist thinking, says: "Materially, other East European countries are in a worse way – but ideologically, they are in better shape. A central command system is a definite thing – and if you want to leave it, then there is a clear need for a break. But the Yugoslavian system, which is a hybrid one, still commands a lot of support. It is, after all, a system we discovered."

The system was created in adversity, following Tito's break with Stalin in the late 1940s. At the heart of his vision was a society truly communist in eschewing both private (capitalist) and state (Stalinist) property relations. Tito and his colleagues, such as Milovan Djilas and Edward Kardelj, developed a distinctive system based on social property and workers' self-management. Partially open to, and favoured by, the West because of its anti-Sovietism, the ruling party did institute some market elements: but in successive reforms, more and more power was devolved from federal to republican level, where control came in practice to be vested in local groups of party and state officials, republican banks and managers – except that managers often lacked authority and independence, being accountable to the workers in the enterprise who, in turn, had no stake in it.

Exchange rate
(Nov 1989 average):
£ = Dinar 91,089,
$ = Dinar 55,560

Mr Zhivko Pregl, the deputy federal Prime Minister and one of the most enthusiastic reformers, says "there used to be many influences on the firm – the Party, local authorities, and so on, who said, 'We have to take care of the property, of the social needs.' But there was no legal basis for any of this. Formally, the property was not even owned by the state."

Politics ruled, chilling most enterprise leadership, says Vedran Marinkovic, chef de cabinet at the Serbian Economic Chamber. "The economic system developed in such a way that the manager was put in charge of something with which he had nothing to do. People were given the task of keeping an enterprise alive, but they couldn't move it forward . . . in the 1970s, there was said to be a technocracy. These were actually good managers who were able to adapt and work well within the system – but they were seen on the political level as a techno-bureaucratic counter revolution, and they were retired. So management professionalism was killed off."

This was perfectly rational within an ideological universe which feared the restoration of oppressive class relations characteristic of pre-war years and which believed it had, in the mixture of market and control from the base, discovered a true path to socialism which would not ultimately need the state or the institutions of capitalism. Although the federal state withered, at the republican level, it was active and interventionist. In the 1970s, republican banks, many of which had never before operated in the international market, dipped their hands into the flow of petrodollars to obtain finance for prestigious and largely unprofitable projects.

By the start of the 1980s, the federal state was liable for a debt of some $20bn, much of it contracted for by banks over which it has had little control. Inflation was rising (it is now around 1,500 per cent) and productivity was stagnant or falling. Republican rivalry was intense: the northern republics increasingly looked west; the southern provinces were enmeshed in debt and backwardness; and the Serbs in the middle, feeling put upon, rallied to the cause of their ethnic kin in the south Serbian province of Kosovo, where they constituted a declining minority against the ethnic (and Moslem) Albanians. The inner party is still grappling with debate over what to do about Kosovo being sliced through, last year, by the Serbian President Slobodan Milosevic, through an assertion of control over the province and the arrest and trial (now going on) of 15 Kosovans on the charge of "counter-revolutionary activities" - trials which seem to the Croatian and Slovenian élites as smacking of Stalinist excess and a source of national embarrassment.

Thus the impression most people have of Yugoslavia in the 1980s has been one of leaping inflation, national fragmentation and cheap, sunny and sometimes shambolic holidays: the blurry images of a country which cannot stay together but which cannot come apart: a Mediterranean/Slav/Central European/Orthodox/Catholic/Moslem/Communist stew at once impossible and ungovernable.

This may change, or at least there is cause for believing so. The Federal Government formed by Mr Ante Markovic on March 16 is now passing laws designed to destroy the fundamentals of Yugoslavian socialism and replace it with something which may still formally be called socialistic, but will be so only in the sense that workers will have a say in management in a similar way to West Germans.

Zhivko Pregl says the principles of equal treatment of Yugoslav and foreign investors, of property pluralism in which no type of property is privileged, of rights for capital as well as labour and the adoption of universal (actually, capitalist) forms of business organisation underpin the laws passed or slated to be passed this year. These laws include a draft law on property which allows foreigners to buy assets and land; a new law on labour which, according to Radisa Gacic, the Labour Minister, "makes it clear to all that jobs depend on performance." He has also forecast that, in an expected shake-out of labour, some 20 per cent of the workforce might become technologically redundant. Other laws permit the issuing of stocks and the creation of a stock market; and a phased series of tax laws which will introduce a profit tax and, over the next two years, integrate tax raising powers into the federal and republican authorities.

Says Mr Pregl: "We don't have an ambition to be innovative (in the forms of enterprises) any more. Practically, this means giving up many specific regulations and institutions we've had so far: those known under the common name of 'associated labour' or 'workers' self management.' We're giving these things up. We're establishing limited companies, joint stock companies – all the types of company structures known in the world are regulated for in our new laws. So we're departing from the innovations which so far haven't given any results."

Two further processes flow from this: one is centralisation, the other democratisation. The controversy round either could stall the progress of all.

On other pages: Foreign trade, 2; Shipbuilding, 3; Films, 4; Wood, Wine and Construction, 5

Centralisation is probably essential if the Markovic Government's initiative is to succeed – and it is the logic inherent in many of its actions. If it is to control money supply, it must stop republican banks issuing credit and companies which should be bankrupt issuing promissory notes which then act as money; it must take tax raising powers; it must regulate its relationship with the National Bank of Yugoslavia, which failed to see the debt crisis of the 1980s coming. Says Lojze Socan, head of the Institute of Economic Research at Ljubljana University: "The World Bank, since 1987, has supported the idea that governments in developing countries should play an important role. The present Government is the creator of the legislation now going through, and institutions here must support it. We are still in a situation where the Bank of Yugoslavia does one thing, the Government another. Neither has credit and monetary policy under control. This is one of the main problems economists looking at the country see."

The prize, for the Markovic Government, is to break the networks of control (and sometimes of corruption) within the republics, and replace them with institutions and practices which begin to look to the federal level. For the present, republics tend to define both capital and labour markets: but if the labour laws allow the emergence of clearly delineated managements and labour who express their different interests through collective bargaining (rather than blur them in a consensual glacis) it is likely that the trade unions will develop sectional, rather than republican or enterprise interests – with an increasing need to represent miners, engineers or teachers across the federal state, rather than in simply being a rather inactive part of the consensus. In short, the re-establishment of the "class struggle" could establish a national, rather than a regional, labour market and labour-management-federal government relationship.

Democracy, to an optimistic view, now seems to be strengthening: that is, of course, Western or bourgeois democracy. Questioned on this during a TV phone-in last month, Mr Markovic, pressed to choose between workers' self-management and political pluralism, said he would go for both. Mr Pregl thinks it will come within a year: it is already foreshadowed in constitutional reforms controversially passed by the Slovenian assembly in the summer.

It needs hardly be said that none of this will be easy. The power of Mr Milosevic in Serbia; the power, too, of those in the League of Communists who wish still to seek for a socialism which does not capitulate, as they would see it, to Western forms of democracy; and the huge structural difficulties are all obstacles familiar enough to East European governments now, but no less daunting for their familiarity. But the possibility of overcoming them is higher than it has been for years.

Aleksandar Lebl discusses foreign trade

Exports and imports increasing

IN THE face of hyperinflation, which this year, according to estimates of the federal office of statistics will reach 2,500 per cent, and slow growth of industrial output, which will hardly exceed 2 per cent, the performance of exporters gives every reason for optimism. Trade is expanding fast, invisible earnings are increasing, reserves are close to $6bn and foreign investments in Yugoslavia are rising.

In the nine months to the end of September 1989 exports to the hard currency area increased by some 11 per cent compared with the same period last year, while imports from that area went up by nearly 17 per cent.

The ratio of hard currency exports to imports declined from 95.2 per cent to 90.6 per cent and the trade deficit increased from $330m to $763m. However, that was the result of deliberate government policies to liberalise and increase imports to assure an ample supply of raw and intermediate materials for the Yugoslav industry, especially that sector oriented towards exports, and to create a more competitive environment on the domestic market, which is dominated by monopolies.

The degree of import liberalisation has reached 87 per cent, while at the start of this year it was only 55 per cent, and a year before 11 per cent. The process of liberalisation was started by the previous government of Mr Branko Mikulic, but it was vigorously pushed ahead by the present government of Mr Ante Markovic. The level of tariff protection has been reduced and the average tariffs are now 7.1 per cent. Imports of intermediate goods used in the production of export products do not pay custom duties provided exports go up by more than 50 per cent over the previous year. Imports of equipment by joint ventures are also duty free.

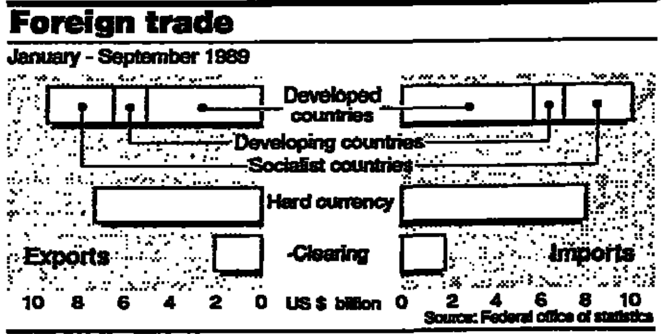
Mr Markovic and his associates have been warning that soon protective walls will have to come down. *They have in mind that 1992 is very close*

What mars this bright picture of liberalised imports and low tariffs are very high non-tariff levies, which make imported goods too expensive. Here, the government treads cautiously, although some levies have been moderately reduced. First, the federal budget needs those revenues. Also, Yugoslav industry is not yet ready to face foreign competition.

But Mr Markovic and his associates have been warning that soon protective walls will have to come down. They have in mind that 1992 is very close and that the Yugoslav economy has to prepare for tougher competition in the European Community.

Foreign trade

January - September 1989



Source: Federal office of statistics

September trade figures gave reason for even more optimism than during the summer. Hard currency exports were up 26.9 per cent on September 1988 figures.

Taking into account changes in intercurrency rates, which "undervalued" exports expressed in dollars by 4 per cent, the rate of growth that month exceeded 30 per cent.

However, October results dashed the hope that the same trend would continue. Compared to October 1988, exports did not increase, while imports continued their upward move.

The Government, in the opinion of many Yugoslav manufacturers and exporters, contributed to the widening of the trade gap by halting the downfloat of the dinar, which became overvalued. While inflation in the August-October period was 176.5 per cent, the exchange rate for the dollar went up by some 115 per cent, and that of the D-Mark by some 119 per cent.

The Government, in the opinion of exporters, contributed to the widening of the trade gap by halting the downfloat of the dinar, which became overvalued. *While inflation in the August-October period was 176.5 per cent, the exchange rate for the dollar went up by some 115 per cent*

Since late October downfloating of the dinar has speeded up but the discrepancy between the inflation and exchange rates has not yet been eliminated. The overvalued dinar naturally hampered exports while at the same time encouraged imports.

Attempts by the Yugoslav and Soviet governments to reduce the Yugoslav trade surplus failed, and this has created one of the main Yugoslav problems of recent years. The surplus fuels inflation, as the national bank pays Yugoslav exporters promptly from the new money issue upon presentation of export documents.

In addition, ill feelings have been created in the republics, such as Serbia, which sell a large share of their total exports in the Soviet Union because the government proposes to delay payment to exporters and to establish a lower exchange rate for the clearing dollar.

In the first nine months of 1989, the accumulated surplus with the Soviet Union increased by another clearing dlrs 208m. Although part of the surplus, $550m, was converted into a medium-term loan at a low interest rate, the remaining surplus still lingers close to clearing dlrs 2bn. Yugoslav firms cannot find enough goods to import from the Soviet Union.

Both sides have been reluctant to resolve the problem by reducing Yugoslav exports. They actively search for ways out of the impasse and have set up a working group of experts to recommend solutions.

In spite of a possible slowdown in the rate of growth of exports this year, the Yugoslav balance of payments will be satisfactory. In the first eight months, the hard currency surplus amounted to $1,538m, due to the healthy surplus in invisibles, reaching $2,281m. By the end of the year the surplus could exceed $2bn, as it did last year when the surplus reached $2,487m.

This healthy surplus and the high level of reserves assure the external liquidity of the country and will help the Government to carry out the economic reforms, although additional foreign capital will be needed. That means the process of external debt reduction, which has been going on in the past couple of years, will be *temporarily* halted and reversed.

From end-1987, total debt has been reduced by some $3bn, of which close to $1bn is accounted for by debt conversion. The external debt now amounts to some $17bn gross, while the net debt, if Yugoslav loans and credits to other countries are deducted, is lower by $3bn-$4bn. Unfortunately, only a part of that can be collected, as debtors are mostly the developing countries, but then the Yugoslav debt is also not worth its face value on the secondary debt market.

John Lloyd looks at industry

Changes on the agenda

YUGOSLAVIAN industry led the country's growth after the war, particularly in the 1960s and 70s. Its export successes, particularly within Comecon, were impressive and it managed to develop a diverse range of both consumer and capital goods.

Its woes in the 1980s stem in part from the drop in domestic demand, which in turn was adversely affected by restrictive budgetary measures; from a lack of hard currency; and from a stagnant or falling share of hard currency exports. Its engineering, shipbuilding and car plants are all big exporters – but all have financing and technology difficulties which will take some years to overcome.

At the root of the changes now being attempted in Yugoslavian industry are the concepts of ownership, management control and labour discipline. The changes proceed from a hard-eyed view of the present system, seen by much of the political élite as irredeemable.

'The old system was an attempt to find a new way, not capitalist and not state socialist. But it did not work, and that's why we have to make changes'

An interview with the Federal Industry Minister, Mr Stefan Santo – himself a former, and successful, plant manager in Croatia – reveals both the depth of the disillusionment with the Titoist system and the direction in which change is sought.

"The change will be difficult for many enterprises, for the present system is badly flawed in many of its main elements. I have in mind, first, that it is a closed system: Yugoslav industry tended to withdraw into itself and lacked foreign competition: second, we had a high level of government intervention in the economy, from the state, the republics, communes and the party – because the party was not separated from the state: and third, we had a high level of state-set prices, combined with an inadequate system of investment finance.

Industrial investment was created by credits, and businesses were supposed to pay interest, capital repayments *and* make profits ... there were enterprises which functioned quite well, especially before the attempt to find a "consensual economy" in the 1970s.

"The old Yugoslavian system was really an attempt to find a new way, not capitalist and not state socialist. But it didn't work, and that's why we have to make these changes."

On labour, Mr Santo talks in a way few Thatcherites would have dared, even in the heyday of their radicalism: "Yugoslavian industry is over-employed: this means that industry will have to get rid of a large number of workers, who are redundant.

This might be as many as 20 or 25 per cent, in all sectors – probably more in the bureaucracy. In other words, we have to create a modern business culture, which so far we hadn't been able to do ... when I was a manager in Croatia, I succeeded because I obtained the confidence of the workforce. All of the self-management bodies (in the enterprise) were prepared to take my view on things.

But this led to a different kind of inefficiency, because you have to spend a lot of time on winning confidence instead of doing other things. Explaining things was often a waste of time."

The opening up of a formerly partly closed industry, and the dethronement of "social property" and the use of the market at every level will mean that the country, like other socialist countries, will depend crucially on assistance from the West.

"Investment from abroad is of decisive importance to us. That is because, since most enterprises have had no working capital, they were financed on the basis of bank credits. They didn't retain any working capital. It's now necessary to constitute them in a different way, which is where investment from abroad would come in. We want enterprises to form joint stock companies and mixed companies. We want citizens to invest their funds in company equities. This would mean a stock market. That's a new thing for us: we would need help from the world bank and other institutions. We will in future be able to create new enterprises, and we shouldn't have any trouble with joint ventures. The problem is those enterprises which are unprofitable: it may be difficult to sell them."

The Minister, like his cabinet colleagues, sees as indispensable to the industrial restructuring a stronger federal government – ironically, so that it will interfere less, or rather, ensure that the republican and party authorities interfere less.

"A new constitution is under way. A main feature in it will be that the Government will have the instrument to conduct an independent economic policy, which means an independent monetary policy. With these instruments in its hands, the government should have the power which is at present in the hands of the republican authorities.

"We think that, in general, state authority should shrink – except in the crucial areas of monetary and fiscal policy, and in the fight against inflation."

Inflation, the most visible sign of the country's malaise, is not, however, on the immediate agenda for action. The Markovic government has postponed a direct attack on it until the new laws are in place – then, says Mr Santo, "1990 will be the year we tackle it. And it will be through economic, not administrative means."

The liberalised economic system is expected to produce conditions in which new, small, company formation will be rapid: and it is on an expanding network of small and medium-sized companies that the reformers place much of their faith. Dr Lojze Socan, director

Yugoslavia is a wealthier country than the other socialist countries: but it lacks the huge sums needed to modernise its industries

of the Research Institute at Ljubljana's Institute of the Economy, says that "by expanding small and micro companies in all regions – especially those like Kosovo (in the south of Serbia), we could release new skills, bring back finance which has been exported and we could get growth." It is in these small companies that many of the workers to be made redundant from the large enterprises seeking to establish profitability would be relocated: they would also allow much of the "black" economy – estimated to account for as much as one third of the national product – to find legal forms.

It will be a long haul, even if the legislation is passed and is accepted, even if the government can increase its authority, even if labour becomes more efficient. Yugoslavia is a wealthier country than the other socialist countries but it lacks the huge sums needed to modernise its industries, and thus bring its products generally up to world standard (a recent survey, conducted by Dr Socan's institute, showed that only about 25 per cent of Yugoslav exports meet world standards). There are real successes – Pliva, the drug manufacturers, Generalexport, the trading company, Energoinvest, the design and electrical engineering company, and Energoprojekt, the leading consultancy and contracting company. It is their experience and practice which need to be made the rule.

PROFILE: SIMPO

Furnishing prosperity

THEY make revolving beds for the Soviet market and high quality leather-bound armchairs for the western market. They have shops in Szczecin, in northern Poland, and representatives scattered throughout western Europe. Mrs Raisa Gorbachev visited the firm's headquarters in Belgrade, while Mr Gorbachev met Mr Dragan Tomic, the managing director. Pierre Cardin now provides designs for the enterprise which will sell them under the famous Parisian's label.

In short, Simpo, one of Yugoslavia's most successful furniture manufacturers, despite the crippling inflation which is now 1,200 per cent a year, is enjoying a period of prosperity and expansion.

It started in 1963 in Vranje, a town tucked deep in the south of the Republic of Serbia. Then, the region was completely underdeveloped. Today, Vranje is a bustling, confident town, dominated by young, well-off people who are employed in Simpo and in Yumco, the large textile factory.

The relative prosperity is partly due to the way in which Simpo has expanded over the past 26 years.

From employing a few hundred workers in the early 1960s, it now employs a workforce of more than 6,000. In addition, it has a network of 13 factories and an increasingly healthy balance sheet.

In Vranje itself, the modern, large and clean factory, has production lines earmarked for both east and west.

Mr Slobodan Stojanovic, one of the directors in the Belgrade office, says that exports are increasing each year.

More than 60 per cent of its total production is now being exported, of which 75 per cent goes to hard currency countries and the remainder to Poland, Czechoslovakia and the Soviet Union.

In 1988, Simpo earned $37m–$25m from hard currency countries – and the rest from the clearing account market with the Soviet Union and Eastern Europe.

This represented an increase of 14 per cent on the previous year. This year, Mr Stojanovic expects the exports to reach $100m.

Success rests on a well-trained workforce which, by all accounts, are paid above average. But it is also due to the firm's increasing specialisation, particularly over the past year.

Just 16 kilometres from Vranje, in the little town of Bujanovac, Simpo opened in 1987 a new factory which will deal only with manufacturing leather goods.

The aim is to produce top quality furniture specifically for the export market. This increasing trend towards specialisation has already earned Simpo an additional $3m and is likely to consolidate the firm's presence on western markets over the next few years.

Judy Dempsey

John Lloyd looks at steelmaking and shipbuilding

Poised between east and west

THE state of two of Yugoslavia's basic industries – steelmaking and shipbuilding – well illustrates its position in the world division of labour: it is poised between the developed economies of the West and the Far East, and the state socialist countries of what was once the Eastern Bloc.

These industries (shipbuilding rather more than steel) have had to operate in market environments and are concerned to meet world standards: at the same time, however, they have suffered from over-protection and (steel rather more than shipbuilding) political criteria being employed for the construction of plants.

The point is clearly made on the technological level. The efficiency of steel producers may, in part, be measured by the speed with which they move away from open-hearth steelmaking to the continuous casting method.

Japan's industry is 93 per cent continuous casting: western Europe 81 per cent; eastern Europe 20 per cent – and Yugoslavia, in between, with 56 per cent. "We want to have a modern steel industry which will make profits," says Arsenije Jovanovic, secretary of the Yugoslavian Steel Makers' Association.

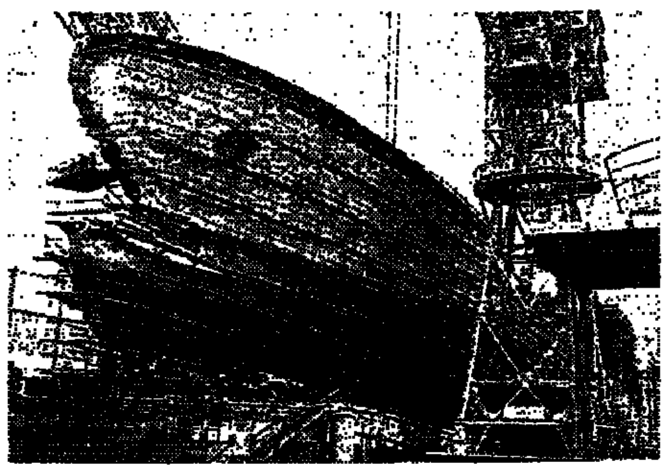
"We know the direction we want to travel. For example, we know that open-hearth production no longer is profitable: western countries make almost none of this kind of steel. But 25 per cent of our production is still open-hearth." (In eastern Europe, 49 per cent is open-hearth.)

To assist the movement up the technology and profits ladder, the Steel Producers' Association has contracted British Steel Consultants to draw up a series of options from which they can choose what to do about the industry's future. The producers are already aware that they face, not just relative technological backwardness, but also vast overmanning – again, an effect of political control of the plants. They know, too, that many of the plants themselves should, on a rational view, go.

Will they privatise some plants, as the new legislation will permit them to do? Mr Jovanovic is cautious, pointing to the example of the Italian steel industry which slimmed down and cut losses while majority control remained in state hands.

But he says that ancillary activities – as transport, provision of plant services – *could be hived off "depending on the interest investors would have".*

Foreign investment is already showing some interest: Italian and Soviet companies, for example, are likely to take a share in the new Sisak steel pipe plant in Croatia.



Shipyard in Split: the industry is in good shape

The best known steel plant in Yugoslavia – perhaps the best known plant of any – is Smederevo, in Serbia: steel producers would prefer it were not so famous. It has been seen as the classic case of bad investment: conceived as a prestige project for Serbia, overstaffed, endlessly delayed, using a mix of technologies and even now only partially producing. Smederevo is looked upon with deep suspicion by almost everyone outside Serbia and many (more quietly) within it. Mr Jovanovic says Serbia has decided to sink another $500m in an attempt to make it fully operational: "the next year is the crucial one", he says, "in which it will either work or it will not work."

Steel production (million tonnes)	1988	1989
Crude steel	4.5	4.7
Pig iron	2.83	3.0
Finished steel	5.8	6.0

The shipbuilders have no comparable white elephant: indeed, the industry which usually features in the world's top five, is in relatively good shape.

It is concentrated in two areas – larger ships are made along the Adriatic coasts, while the shores of the Danube support scores of smaller yards.

Both industries have tended to serve the large Soviet market: both are now seeking new outlets, with some success claimed in doing so.

It has problems, but they are often less of the competitiveness of the product, and more those of the economy in which they operate: for example, the May 3 shipyard in Rijeka lost large orders to foreign competition when they failed to secure export finance for the ships from the Yugoslav Bank for International Economic Cooperation.

The experience of the Dunav yards shows the way the wind is blowing. Over the present five-year period, 1986-90, some 80 per cent of orders were placed by Soviet shippers: in the next, from 1990-1995, only 40 per cent come from the USSR.

In the past four years, deals with western countries for ships have risen from between $40-$60 to (in 1988/89) $160m. The Soviet trade, though massive and steady, has thrown up constant hard currency problems: problems, particularly in securing sufficient hard currency to buy parts in the west.

Yugoslav shipbuilders are now considering seeking a shift from rouble trade to hard currency trading – a move which is likely to be reflected across the gamut of Comecon trading.

How will the industry react to the new laws, and the drive from on top to import the profit motive into business? Mr Vladimir Martinovic, director of the Danube Shipbuilders' Association, is forthright: "The new labour legislation, in particular, should allow us to ensure higher quality work and higher productivity. It will be easier to dismiss workers and, in particular, idle workers. The employer will have a free hand to do what is most appropriate."

Both the large Adriatic yards and the smaller Danube yards at present socially owned, will be free to go private: at least one, the Sava yard, which was founded in 1919 and specialises in the construction of barges, dredgers, floating cranes, icebreakers and fishing vessels, has attracted the interest of a Norwegian company. However, the legislation does not exist to allow foreign purchase.

PROPERTY RIGHTS

Difficult debate

THOSE YUGOSLAV economists and officials who are anxious to push through new legislation on small businesses will need much luck this month. For this is the time that the Federal Assembly is due to debate one of the most difficult subjects so far: property rights.

It is a debate which now dominates all the East European countries. In Yugoslavia, it takes on a special meaning because of the way enterprises have been managed over the past 20 years.

Under the complicated and ideologically-loaded system, all enterprises were "socially" owned by the workers. Not that the workforce had any shares in the enterprise, or that they could buy out the plant, or sell it or declare it bankrupt.

It was one of those vague terms aimed at distinguishing the Yugoslav political and economic system from what were then the highly centralised Soviet and East European economies.

However, given the determination by Mr Ante Markovic, the Prime Minister, to radically change the economy, it now seems that property rights will be finally on the agenda.

Mr Veselin Vukovic, a young economics expert in the Government, is partly responsible for smoothing the legislative path for small businesses. He says that much of the basic work is over.

Foreigners, without restrictions, can invest in Yugoslav companies. They can control even 100 per cent of an enterprise. They can repatriate their profits, and they can do it in hard currency.

The sticking point emerges when anyone asks, "who owns the enterprise?". "I agree that the main issue is one of ownership," says Mr Vukovic, a soft-spoken economist. "All reforms undertaken in the past by the socialist countries have failed to address this question."

Mr Vukovic believes now, with the benefit of hindsight, that "social ownership should not have a substantial position in the Yugoslav economy. There should be several kinds of ownership and property rights. In other words, these rights should be tested on the market place."

The market and competition are the key points. As Yugoslav economists see it, the ideal arrangement would be for the State to sell off some of its enterprises, while retaining sectors such as utilities. Inevitably, there would be teething problems. For years, enterprises and the workforce have been fed subsidies, and have been guaranteed pensions and other social benefits even if the enterprises were near bankruptcy. On this point, Mr Vukovic reckons there is plenty of scope for enterprises to set up their own pension funds as a means of standing on their own feet and becoming more competitive.

But there are other problems. There is the question of assessing the real value of an enterprise. Auditors, says Mr Vukovic, would be called in. But the most pressing issue would be the availability of capital for these small businesses, and the setting up of the legislative climate in which these businesses could function. Already, Mr Vukovic and his colleagues are thinking about setting up facilities for risk capital. They also hope to set up a $3m fund which would be specifically earmarked for restructuring and transforming large enterprises into small businesses.

They recognise that unemployment would follow. But as Mr Vukovic says, about 20 per cent of those employed are "underemployed anyway". "I think the small businesses would actually generate employment and, more importantly, it would increase gross social product, (the East bloc equivalent to GDP), to about 7 per cent," he says. If the Federal Assembly buys these arguments, one of the difficult hurdles facing Mr Markovic may be overcome.

Judy Dempsey

MANAGEMENT TRAINING

Bosses go back to school

A FEW kilometres north of Ljubljana is a former landowner's mansion set in its own estate: nearby, now converted into luxury flats for hire, is a modern hotel. The mansion had been one of President Tito's many official dwellings: the hotel had housed his staff and ministers when he was in residence. Now, the cult of the personality gone and the economic problems of Yugoslavia laid bare it must earn its keep.

Part of its keep comes from a permanent boarder: that is the Brdo management school, which rents a large part of the hotel. Brdo was the first school of management in a socialist country (there is now one in Budapest): and though still (by international standards) small, it is referred to as a kind of talisman of Yugoslavia's commitment to change.

The school was founded on the initiative of the Slovene Chamber of the Economy, and of Dr Danica Purg, its founder-director. In the past three years, she has seen pass through the school some 4,000 managers, on courses lasting from one day to seven weeks: from next October it will offer the first MBA to be taught in Eastern Europe (in English). It uses a core of staff, mostly from Slovenia: but draws in US, West German, British, French and other visiting lecturers. Dr Purg hopes to extend her activities to other socialist states now desperate for management advice: she visited Warsaw in November for talks with the Polish authorities, and is already exploring a joint venture with the Soviet Union.

Veronika Krej, an executive in charge of the English courses, says: "We had to change people's mentality: we had to tell them that management was not a forbidden word. We had self-management in the Yugoslav system, but real management didn't exist. Management simply equalled capitalism."

It is, of course, no accident that the school should be located in Slovenia and have backing from the Slovene Chamber: this republic is the most entrepreneurial of the six making up Yugoslavia, accounting for some one third of its total exports, though with less than 10 per cent of its total population. Because it is so exposed to outside pressures and competition, Slovene industry is more concerned about quality and public relations: the Elan ski goods company, among the larger of such companies in the world, is based near Ljubljana. Yet even here, says Veronika Stabej, managers have much to learn: "We find a lack of knowledge about free market rules. They become concerned about customers, but are afraid of a market-driven economy. But things are changing: the younger managers are most interested in new forms of ownership, and in new forms of communication and in interpersonal relationships among their staff. The level is gradually improving."

Improvement is bound to be gradual: not just because of the general ignorance about free market economies and their institutions and mechanisms, but also because of obstacles deliberately placed in the way of those who wished to become efficient managers, and the psychological difficulty experienced by senior managers now in admitting that they are at sea in the new environment. Further, education at every level was, when not actually anti-management, naturally oriented towards the particular nature of the Yugoslav economy: and many managers, called upon to take on the responsibility of major enterprises, were usually trained only in engineering, and not at all in accounting methods, personnel skills, general administration, sales or marketing.

Says Vedran Markinovic, *chef de cabinet* at the Serbian Economic Chamber in Belgrade: "Management was not regarded as a professional skill. Anyone could do it. There was a cult of engineers, at least in Serbia. There were many attempts in the last few years to re-assert the management profession, but so far they have not been successful.

"The most important thing now is to make people believe they don't know much and they thus have to learn a great deal. There is a tradition in Yugoslavia – everyone talks a lot and they don't listen, especially those in important positions. We have to get across the need to listen."

The Serbian chamber had dipped its toe in the water of management training by organising a six-day, high-level course for enterprise bosses, flying in US and West German businessmen of the level of Dr Wolfgang Poeck, president of the Dresdner Bank; Dr Edgar Cartwright, past president of Lockheed; Mr J Fred Bucy, past president of Texas Instruments, and Dr William Agnew, a former director of programme and plans for General Motors (they thought of inviting Henry Kissinger, but discovered he charged $30,000 a talk). It went well, says Mr Markinovic: in part because the managers became conscious of their ignorance, yet found the courage to ask "dumb" questions and thus to learn. The chamber will now found an institution, on a site outside Belgrade, in which to run short five to seven-day courses specialising in fields such as banking.

"There is now a business school market, if we keep high standards. We must have high quality lectures, so that the people who come will pay. The first course was 80 per cent subsidised by Serbian corporations – in the future we intend to charge the full cost."

This is encouraging, if small: but the new courses have to overcome decades of neglect, and must push for the universities to prepare its managerial graduates in ways they have never considered before. Business economy courses are being added to the curriculum, though there is no fully-fledged course outside Ljubljana University yet.

The final problem is motivation in a shortage economy. "Managers say to us: 'why should I bother about marketing and all that when people will snatch out of my hands anything I make?'" says Mr Markinovic. "It makes it a harder task than elsewhere to insist that they must be aware of the customer."

John Lloyd

Golden Palm award: a scene from "When Father was away on Business"

Patrick Linden discusses the film industry

Threat to golden revival

WHEN Emir Kusturica won the Golden Palm at the 1985 Cannes Film Festival for "When Father was away on Business", the once-promising Yugoslav cinema found itself in the limelight for the first time in almost 15 years.

However, Kusturica, whose latest film, "The Time of the Gypsies" scored another triumph at Cannes this year, remains the only internationally visible Yugoslav film director, teaching film at New York's Columbia University and making the rounds of noted film festivals.

But far from the limelight, a generation of Yugoslav film-makers, most of them Prague-educated, are trying to make do amid economic and political chaos. Kafkaesque bureaucracy, paucity of funds and the State's complete lack of interest in promoting Yugoslav films, either abroad or at home.

Still, Yugoslav films over the past few years, have fearlessly and vividly dredged up the demons of the past and examined the most painful episodes of Yugoslav history. The mass arrests following the 1948 break with Stalin, the brutality of the secret police, the post-war destruction of the middle class, political corruption and opportunism and the injustices of revolutionary justice have all come under the scathing eye of film-makers such as Goran Markovic, Rajko Grlic, Zivko Nikolic and Kusturica himself.

Markovic's visually rich "Reflections", shot in 1988, used sensuously-filmed flash-backs to trace the life of its mentally unbalanced protagonist as he is slowly driven mad by the upheavals of 40 years of communist rule. Constructed like a horror film, "Reflections" ends in an explosion of violence. Like most Yugoslav films, it is characterised by the abundance of explicit sex and an open disdain of communism.

Nikolic's "In the name of the People", portrays the brutality and lawlessness of Yugoslavia's dreaded UDB, the secret police, in the 1960s, and the stranglehold it had on the terrified Yugoslav population. Grlic's films are a rarity in Yugoslavia: modern and witty stories of urban neurosis, mid-life crisis, upwardly-mobile media people, ex-convicts who cannot fit in and artists who have sold out.

His "In the Jaws of Life" puts one in mind of a central European Woody Allen or Paul Mazurski, with its knowing satire of Zagreb's affluent intelligentsia.

With only about 30 films a year made in Yugoslavia, on budgets of $700,000, many film-makers seek refuge in international co-productions. Grlić's latest film, called "That summer of Dead Flowers", was filmed in English and stars Tom Conti, Suzannah York and Rod Steiger. Marković, Kusturica, Alexander Petrović and Dusan Makavejev have also done co-productions.

Among the least known national cinemas in Europe, Yugoslav cinema has made few inroads into cinema theatres around the world, despite the isolated triumphs of individual film-makers such as Kusturica, Makavejev and Petrovic.

And it is not only because of economic and organisational problems. Purges and repression have either silenced promising talented directors or else have forced them into self-imposed exile to the west.

In addition, the complexities of the society being portrayed in the films themselves have been made somewhat less accessible to western audiences than, say, Czech Polish or Hungarian films. And, unlike these countries, Yugoslav film directors had not had much of a tradition on which to fall back.

Film-making in Yugoslavia started from scratch in 1945. Pioneering film-makers in the post-war years had no cinematic tradition, studios, actors or equipment to work with but were given lavish state subsidies to shoot such dreary exercises in socialist realism as "This People will live" and "The Story of a Factory". Film was treated, as Lenin said it should be: as the most important art, an ideological tool in which to educate the masses in the glories of socialist enlightenment and sacrificing oneself to the benefit of society as a whole.

But in the 1950s, the party began to lose interest in film as an ideological weapon, shifting its attention to television. The party-run committee for cinematography was disbanded and all production, technical and distribution operations were turned over to the individual republics. And while state subsidies dried up, the privileged financial position of the cinema soon disappeared with the advent of freedom. Many film-makers ceased being employed by the studios and became freelance artists working on the basis of contracts with individual production outfits.

This newfound, sudden liberty to move away from the party line took a while to sink in. Yugoslav film-makers continued to adhere to the morality and mentality of socialist-realism. But the revolution finally took place in the 1960s. The mid-sixties saw the rise of "Black" film in Yugoslavia — gritty and often brutal films about people living on the margins of society.

These included Petrović's visually exciting "I even met happy Gypsies" about passion and revenge among gypsies in Vojvodina, a province tucked in the north-east of the country; Zivojin Pavlovic's "When I'm Dead and Pale", the story of a ruthless and not particularly talented singer which was filmed in razor-sharp black and white, mostly in slums, construction sites, railway stations and filthy workers' hostels. Indeed, these were prime examples of a period that made Italian neorealism look like Hollywood gloss by comparison.

At the same time, Godard and the French new wave left their mark on Makavejev's collage-like tract on politics and sexual liberation. "Love Affair, or the case of the missing Switchboard Operator", with its continuous nudity, and particularly "W.R. Mysteries of the Organism" which attacked communist morality and western decadence simultaneously, ridiculed Stalin, extolled sexual intercourse and finally incurred the full wrath of a backlash from the establishment.

Thus, in 1972, the late President Josip Broz Tito purged "Liberal Forces" in Yugoslavia and changed the face of Yugoslav film almost overnight. In a confrontation with intellectuals, plays and books were banned, artists sacked from teaching posts and a film student, Laza Stojanovic, was jailed for offending Tito in his film "Plastic Jesus". Makavejev fled Yugoslavia half a step ahead of the law. Petrovic also left. Others could not find work. State-funded war spectacles about the struggle of Tito's partisans against the Nazis dominated screens for the following decade. And in the general affluence of the 1970s, financed by credits from the West, few people seemed to mind.

But times have changed again. The economic years of the seventies are a distant memory. The party is too preoccupied with factional infighting to concern itself with censoring writers or film-makers. However, it is the virtual collapse of the dinar, the national currency, and the general economic decline which now pose the real threats to this country's still budding cinema. And it is these threats which are as grave as any purge.

Aleksandar Lebl examines co-operation with western industries

Return of a company in exile

AFTER 45 years, shoe manufacturers Bata is expected to return to Yugoslavia. A few months ago, Mr Tomas Bata, president of the Toronto-based company, visited the Borovo rubber and footwear "kombinat" of Vukovar, in eastern Croatia, the largest Yugoslav shoe manufacturing industry, which accounts for between a fifth and a quarter of Yugoslav output. He discussed possible co-operation, including joint ventures, with Borovo's managers. If negotiations, which were temporarily suspended, are successful, Borovo will become part of the Bataempire.

The association with Bata will help Borovo overcome its many troubles, financial and other. Borovo has also started similar negotiations with Pirelli of Italy for tyre production.

Borovo was founded in 1931 by Tomas Bata's grandfather, then a Czechoslovak industrialist. The factory developed rapidly and before the German invasion in 1941, Bata's product mix included leather and rubber footwear, rubber technical goods and car tyres. After the war, together with almost every other industry, it was nationalised, and the name was changed to Borovo. In the 1950s it became a self-managed firm.

However, Borovo could not achieve the same efficiency and production standards as the private business of Bata. The Yugoslav economic system was largely responsible for that. It was based on social ownership, which escaped all definition and was best described as everybody's and nobody's property, and on the so-called consensual or contractual economy. This hoped to remedy shortcomings of the market economy by advocating contracts or agreements regulating all aspects of economic relations between suppliers and buyers, manufacturing and trading,instead of them being regulated by market forces, and to a lesser degree the state.

The role of the management was minimised, and managers were often criticised as techno-bureaucrats who wanted to grab political power from the party. As a result not only Borovo but most other self-managed businesses, did not develop as well as they would have done in a more favourable environment. That is also true of the textile, leather and *footwear industries.*

These industries have been neglected in terms of modernisation and development, financial and other support. For years they had to earn foreign exchange necessary for financing large projects, many of which turned out to be white elephants.

Being labour intensive, the authorities considered them suitable for creating jobs in underdeveloped regions, especially for women.

As a result, many textile, footwear and leather processing factories were built. These factories were surplus to requirements and were overstaffed with poorly-paid workers who, under the circumstances, could not be motivated. Consequently they had a low standard of productivity.

Yugoslavia has a number of processing facilities but lacks its own raw and intermediate materials, which have to be imported. This applies to cotton, wool and synthetics, leathers and skins, as well as many other materials.Local products are more expensive and of *poorer quality than imports.* Although many manufacturers exported a large part of their output, they experienced financial and also regulatory difficulties in importing the necessary raw materials. That, and the very high inflation with correspondingly high interest rates, forced manufacturers to resort to the so-called jobbing, or outside processing traffic — manufacturing export goods with materials and designs supplied by the buyer.

Yugoslavia, with its population of 23.5m, now produces some 100m pairs of footwear a year, of which close to 90 per cent are leather, and the rest rubber. The textile industry produces more than 200 pairs of stockings, more than 350m square metres of cotton fabric and more than 100 square metres of woollen fabric, close to 200m square metres of underwear and more than 200m square metres of apparel a year.

The textile and footwear industries have been a large earner of foreign exchange. Last year, they accounted for 12.22 per cent of total Yugoslav *exports with $1.54bn. Their* share in imports was 9.46 per cent or $1.244bn. The footwear industry thus exported almost double the worth of its imports, while the textile industry, due to high raw materials imports, barely covered its import bill.

Both industries have been struggling with obstacles in exporting to industrialised countries, many of which have put textiles and shoes on the list of sensitive goods and accordingly limited their imports.

The economic system was based on social ownership, which escaped all definition and was best described as everybody's and nobody's property

Recently, there have also been difficulties in exporting to the Comecon countries, especially the Soviet Union,a traditional market for Yugoslav goods. The Comecon countries have been reducing imports because of their balance-of-trade problems. Also, the very large surplus Yugoslavia has accumulated in its trade with the Soviet Union has been an obstacle to increasing exports there.

Many Yugoslav manufacturers oriented towards the Comecon market have been lulled into a false sense of security believing that the demand for consumer goods in these countries would remain high and that they could sell whatever they produced. Adopting a short-sighted policy, they did not improve the quality and design of their products. Now that the situation in these countries has changed, they are finding it increasing difficult to sell their outmoded products in really competitive markets.

Price and import liberalisation introduced by the Government of Mr Ante Markovic will increase competition on the Yugoslav market, too. At present local textile and shoe producers are asking high prices for low and medium quality goods, in an attempt to recover part of losses incurred by selling abroad at world market prices. Cheaper and higher quality goods imported from Italy or the Far East will force them to reduce prices and improve quality and design.

The price they will have to pay will be high. They will have to rationalise, reduce wage bills and other costs, produce quality goods, follow world fashion trends, and improve their marketing techniques. They will have to change their technology and buy new equipment.

This is a task which they can hardly be expected to do on their own. As a result, textile and shoe manufacturers, as well as other industries, need foreign partners who can help them start the new investment cycle, supply modern technology, modern organisational methods, modern management, and modern marketing techniques.

The new legislation and regulations enacted this year facilitate and favour such developments. In slightly over nine months,302 new foreign investments in Yugoslavia were approved, with foreign equity amounting to some $120m. That compares with 368 joint ventures approved over 22 years ending 1988 since Yugoslavia allowed foreign capital into the country, the foreign equity paid up totalling $410m.

Bata's new interest in Yugoslavia from which it was chased four decades ago, and Yugoslavia's interest in Bata, bear witness to the radical changes in the way of thinking in Yugoslavia. What is more important is the growing belief of foreign businessmen that these changes are genuine.

CONSTRUCTION

Decline appears to be halted

AFTER a period of steady decline, all the indications suggest 1989 will be a turning point for the Yugoslav construction industry, especially in terms of orders from abroad. However, the home market is expected to remain depressed, with no marked increase in housing construction or investment in industrial projects.

The construction industry, which is one of the cornerstones of the Yugoslav economy, employs 700,000 or 4.4 per cent of the total labour force and accounts for up to 14 per cent of the gross social product.

The industry is one of the cornerstones of the economy and employs 700,000

Several Yugoslav construction companies, especially the Belgrade Energoprojekt, are respected the world over for their efficiency. However, there are also numerous smaller companies which were established by local authorities primarily to provide jobs. These weaker companies were awarded contracts regardless of their ability to complete the work on time or the price of their tenders. With stricter bankruptcy laws introduced this year many of these smaller companies are expected to fail.

Yugoslav companies have won numerous contracts abroad in the face of strong international competition and have undertaken construction projects in more than 60 countries. In some years Yugoslav contractors accounted for up to 1.6 per cent of overall capital construction in the world ????.

In the mid-1980s the annual value of projects undertaken by Yugoslav companies averaged $2bn with up to 30,000 Yugoslav workers and experts on sites abroad. However, in 1988 the total value of construction projects dropped to $1.327bn. This year orders picked up and estimates after the first six months suggest a 35 per cent increase to $1.8bn. Even if these expectations are too optimistic, an increase of at least 20 per cent will certainly be achieved.

Of more significance to the economy, is the amount of foreign exchange flowing into the country. Although this is difficult to assess, it is estimated that in terms of wages and salaries brought back to Yugoslavia by workers, purchases of Yugoslavia equipment, building materials and furniture, foreign exchange could total 30 to 40 per cent of the gross value of projects. Profits are likely to be 25 per cent of this amount. ???

It is also difficult to determine the value of various services provided abroad. Although the bulk comes from construction, the revenue from consulting, technical supervision and construction management is gradually increasing.

Yugoslav construction companies have undertaken a variety of projects abroad, including hydro-electric power plants, land reclamation works, water supply systems, canals, ports, highways as well as work in the military field such as airfields and harbours.

Aleksandar Lebl

Judy Dempsey on the wood industry

A profusion of forests

IF THERE is one sector of the Yugoslav economy which is thriving, it is the wood industry. But not because the manufacturers invest heavily in marketing and advertising. Rather, it is because the quality of Yugoslavia's wood, plus fairly cheap labour costs, remains an attractive proposition for western importers.

One tends to think of the vast forests of Scandinavia, the Soviet Union and other parts of Eastern Europe as the main suppliers of wood and wood-related materials, such as paper, to the export market. But importers often admit that the damage caused by pollution to the forests in Bohemia means that they sometimes have to turn elsewhere. And that is to Yugoslavia.

The country is well served by forests. More than 37 per cent of the total area is under forest or wood – about 10m hectares – of which the majority are deciduous trees, such as oak and beech – ideal for furniture. Wood production is increasing by 28m cubic metres a year while the forests are being cut at a rate of between 21m-22m cubic metres over the same period.

Such an industry, as Mr Antun Juric, secretary of the wood industry of the Yugoslav Chamber of Commerce, points out is of crucial importance to the country's economy. He should know. For he has had more than 25 years experience in the business. Born in Slavonia, a region in the north-west of Yugoslavia which is endowed with woodland and forest, and trained as a biologist, he exudes a calm but infectious enthusiasm for the industry, coupled with a concern for its protection against pollution.

Mr Juric says that wood exports account for 9 per cent of Yugoslavia's total exports. Indeed, for the past few years, wood exports have exceeded $1.2bn, of which around $250m is made up of paper products. He reckons that total exports will increase by a further $550-$600m.

Part of the success is due to the gradual modernisation of not only the wood industry but also the way in which designers have come to play a greater role in furniture.

The industry is made up of 460 furniture manufacturers, some of which employ as few as 50 people, others, as much as 5,000. More than 86,000 people work in the sector which tends to concentrate on producing office/institutional furniture, products for the home and paper. But Mr Juric says that the United States is taking a keener interest in actually importing prefabricated houses from Yugoslavia.

Given the intense competition for finished wood products, Yugoslavia has some way to go in promoting itself. At the moment, as is the case with all socially-owned enterprises, which are not directly run, but are owned by the State, they rely on Foreign Trade Organisations (FTOs) to market their products abroad. Sloveniajales, the largest of the furniture FTOs which is based in the northern republic of Slovenia, retains a good record for exports and for quality. However, Mr Juric thinks that the economic reforms now started by Mr Ante Markovic, the Prime Minister, will have a significant impact on the wood industry.

For instance, now that foreign investors can set up joint ventures in Yugoslavia without any restrictions on the repatriation of profits, the selection of the management, the workforce and the running of the enterprise, the wood industry could reap many benefits. For instance, says Mr Juric, joint ventures would mean that:

- The wood/furniture industry would be made increasingly aware of developments in world markets;
- The industry would be exposed to technological know-how;
- The country's engineers would have the opportunity to learn new skills in this sector;
- The industry would, in the long term, be more secure thanks to improved marketing and sales;
- Investments by foreign partners would automatically open up new markets.

Already the industry is making inroads. Sloveniajales, for example, recently formed a joint venture company, called the Association for the Development, Financing and Marketing of the wood and furniture industry, with one Italian and two Austrian firms. Yugoslavia's geographical location is ideal for such a venture. In addition, there are negotiations taking place with an Italian firm to produce, on a mass scale, chairs. And Ikea, the Swedish household chain stores which are expanding throughout Europe, plan to open two department stores in Yugoslavia.

Increasing integration with western markets will not only provide more security for the industry, but Mr Juric reckons that the quality will increase, too. And unlike, say, the wine industry which is subjected to heavy tariffs from the European Community, for the moment, at least, the wood industry is not inhibited by such restrictions.

Until 1989, Yugoslavia had preferential treatment with the United States. That ceased last May. But recently, under the terms of the General Systems of Preferences, Yugoslavia is not required to pay customs taxes for its wood exports. But the key issue, says Mr Juric, is that the wood/furniture industry complies to international standards, be it in terms of quality or even the kind of glue (which now must not contain formaldehydes).

Given Mr Juric's enthusiasm, the industry is in good hands to face the challenge of the new economic reforms and the increasing competition.

WINE INDUSTRY

Growers hit by tariffs

EVEN IF Yugoslavia's wine merchants were radically to improve their marketing, they would still be faced with what they regard as prohibitive tariffs imposed by the European Community. That, at least, is the view of Mr Damjan Bulum, director of the country's wine industry.

Mr Bulum, a respected veteran wine specialist from the rich vineyards of Bosnia-Hercegovina, believes that, if tariffs were reduced, then Yugoslavia would be capable of exporting far greater quantities to the EC. And more importantly, the country would not be forced to underprice its top-quality wines.

Home-produced wines on sale in a Belgrade supermarket

Under present regulations, Yugoslavia is permitted, tariff-free, to export 545,000 hecto litres of wine to the EC. Given that it is already exporting between 1.1m and 1.2m hecto litres a year to the EC, of which 20 per cent is earmarked for the West German market, Mr Bulum and his colleagues reckon they are losing a great deal of vital hard currency.

"I will give you an example. For every hecto litre of wine which we export to West Germany, the importers have to pay between DM25 and DM30 for each hecto litre. You can see the problems they are facing, if they want to make profits, and similarly for us, if we want to sell more and earn hard currency," said Mr Bulum.

Indeed, it is now thought that the tariffs are costing Yugoslavia's wine-growers about DM20m a year. But, as Mr Bulum points out, the wine industry is much more than tariffs and complaints. It is also about maintaining the quality of the wines, whose history goes back to the 6th Century BC.

Around that time, the ancient Greeks, who had established colonies in Vis, Hvar and Korcula, or Issa, Pharos and Korkyra, as they were known then, transplanted the vine which they had brought with them. And according to legend, in their quest for the Golden Fleece, they founded the town of Polis (today Pula), and there they planted the first vineyards.

The "industry" expanded even further under the Romans, who explored the hinterland, and then it was the turn of the Slavs, who, coming down from the north in the 7th Century, settled in what is to be modern Yugoslavia.

By the end of the 1890s, the country – not yet a state – was exporting 1.6m hecto litres, mostly to the courts of Europe, until the devastating Phylloxera disease, which caused havoc throughout the vineyards of Europe, also wiped out Yugoslavia's crops. Since then, the industry has been carefully built up, stocks renewed, and grape varieties, such as Riesling, Pinot, Chardonnay, Cabernet, and Sauvignon, introduced.

Yugoslavian wines go back 2,500 years

Today, Mr Bulum is cautious in saying the industry is thriving. Several years of drought has caused enough damage so as to affect production. In the mid-1980s, for example, output hovered between 6m and 6m hecto litres per year, which were grown on 228,000 hectares. But by 1989 it had dropped to around 4.3m hecto litres.

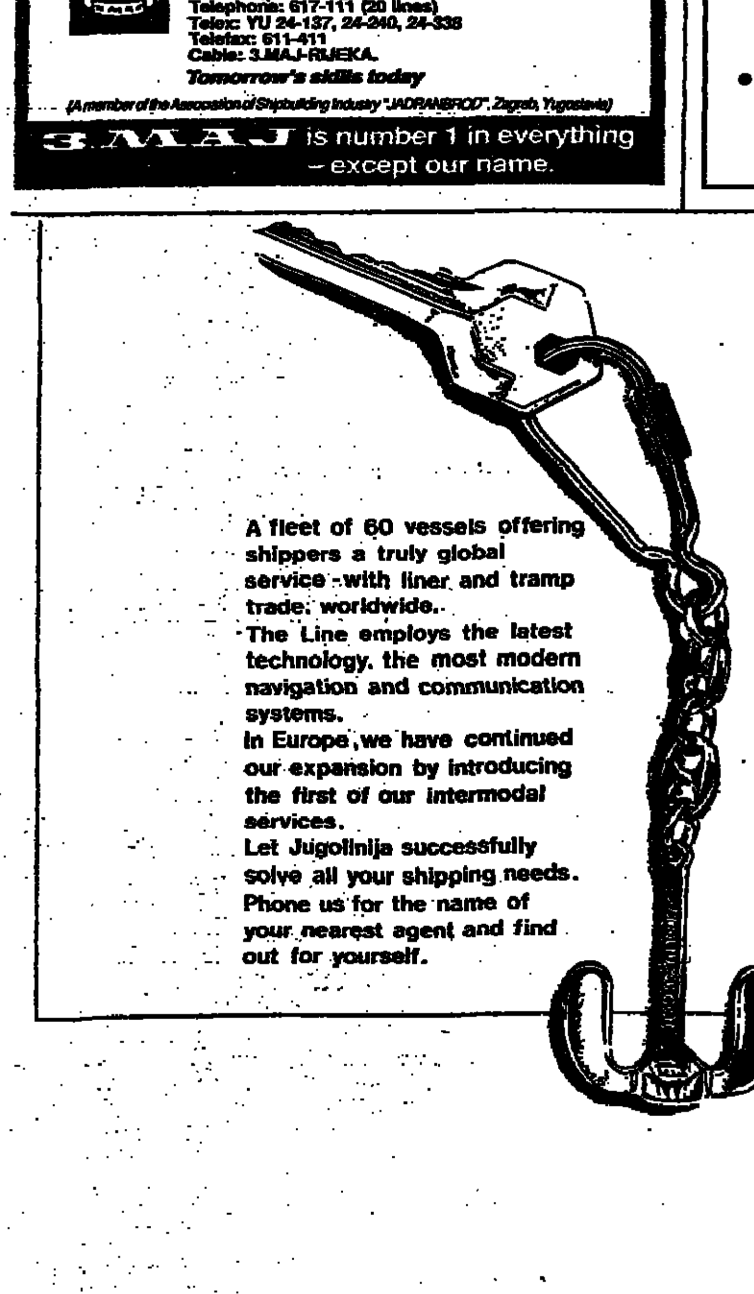
The cold weather did not help matters either. Mr Bulum says recent bitterly cold spells in regions around Macedonia and Montenegro destroyed some of the best crops. So far, lower production has not adversely affected the work force. Although there are more than 2m people directly or indirectly involved in the industry, many work in it in their spare time.

So, those with 10 hectares of land – until recently, the maximum allowed to be owned privately – are often using the land as vineyards, or, indeed, as their second income. In practice, however, the country has about 100 commercial wine-growers, who are organised under the Association of Yugoslav Winegrowers, of which Mr Bulum himself is the director.

In addition, the winegrowers can rely on higher domestic wine consumption which prevents over-production. Indeed, a look at drinking trends in Yugoslavia seems to testify to this. All the six republics are now consuming 60 litres of wine per capita a year. The exception is the province of Kosovo, where for religious and social reasons wine consumption is often as low as 1.5 litres per capita per year. Mr Bulum thinks, however, that, if the economy, the inflation now running at 1,200 per cent a year and declining living standards continue, then the wine industry will inevitably feel the pinch.

Which is why Mr Bulum longs for a marketing budget for the wine industry. "It's a bit like the chicken-and-egg syndrome," he says. "If we become more aggressive in our marketing, then maybe our exports would be boosted. But in order to promote our wine, we need hard cash to finance any marketing campaign. I agree that we could do much more, but our present economic climate is not that favourable."

Judy Dempsey



COMMODITIES AND AGRICULTURE

Cold weather drives up crude and gas oil prices

By Steven Butler

CRUDE OIL and gas oil prices were driven sharply higher yesterday as cold weather gripped north-east Europe and North America.

December gas oil futures prices rose to their highest levels since early 1986, topping $200 (£128) a tonne at London's International Petroleum Exchange, up from $193.50 on Friday.

The January Brent crude oil price, said by traders to have followed the strong demand for gas oil, rose by 52.5 cents in European trading to close at $19.225. On the New York Mercantile Exchange, January futures contracts for West Texas Intermediate Crude were up by 25 cents to $20.55 in mid-day trading.

Crude oil prices are now nearly a dollar a barrel higher than a week ago, when the market fell because a production accord by the Organisation of Petroleum Exporting Countries was thought unlikely to remove what traders saw as a production surplus.

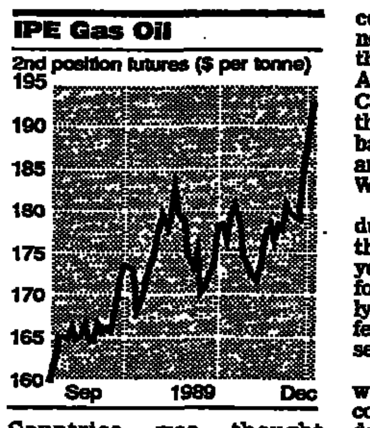
A cold winter could go a long way toward helping Opec, however, possibly leading to an increase in demand of over 500,000 barrels a day. Near-record cold temperatures are now predicted for the eastern third of the US as a front of Arctic air sweeps down from Canada. Low water levels in the Rhine have also impeded barge traffic from Rotterdam and tightened the market in West Germany.

Although expected Opec production of 22.5m b/d or more in the first quarter of the new year has been seen as uncomfortably plentiful by most analysts, traders are evidently not feeling confident enough yet to sell the market short.

Aside from the winter weather, which introduces a considerable uncertainty into demand projections, prospects for Soviet exports and North Sea production are also seen as uncertain, and a significant shortfall could only be made up from Opec production.

Demand projections for oil have been repeatedly understated over the past year.

IPE Gas Oil



Mobil signs 4-year deal with Zimbabwe

By Julian Borger in Harare

MOBIL, the US oil company, signed a four-year oil exploration deal with the Zimbabwean Government yesterday.

The agreement, the first in the history of the country, has been the target of fierce campaigning over the last year by conservationists. It includes several environmental safeguards, which include restrictions on the deployment of seismic equipment in order to protect national parks.

The exploration area is on Zimbabwe's northern border, encompassing two large basins on the southern side of the Zambezi river – a total of 3m hectares.

Robert Gaca, the president of Mobil New Exploration Ventures Company, a unit of Mobil Corporation, also announced yesterday that the corporation is within a week of signing a similar agreement with Zambia, which would involve a roughly equal area on the northern banks of the Zambezi.

The nature of the agreement signed in Harare represents a victory for local and international conservationists. Mobil originally planned to use a method of oil exploration known as vibroseis, by which giant "thumper trucks" would have driven up and down cutting great swathes through the project area, a fifth of which is made up by national parks – including UN-designated World Heritage Sites.

In the agreement, Mobil will instead drop seismic survey teams into the area. They will detonate small controlled explosions at a depth of 2 to 5 metres, which only occasionally break the surface topsoil.

Brazil starts importing methanol

By John Barham in Sao Paulo

IN THE face of furious domestic opposition, Brazil has begun importing methanol.

Officials hope the methanol will avert a potential collapse in fuel supplies. Over the weekend, the national oil company Petrobras pumped 50m litres of methanol ashore. Angry environmentalists protested outside the port and at Petrobras headquarters.

Brazil faces a critical shortage of fuel alcohol, the alternative fuel that is distilled from sugar cane. Alcohol powers a quarter of Brazil's cars, but motorists face a 1.7bn litre shortage of the fuel in 1990, equivalent to about 13 per cent of annual consumption.

Mr Felix Andrade da Silva, an official of the National Petroleum Council, which is overseeing the methanol imports, said: "We have no precise idea of how much methanol will be imported. We will buy methanol as necessary to avoid shortages."

When the Government announced plans to import 1.5bn litres of methanol two weeks ago, prices leapt by over 20 per cent. Mr Clayton Miranda, an executive at a Sao Paulo trading company said: "When a country which used to import very little methanol decides to import 1.5bn litres, naturally that will have an impact on the market."

Alcohol supplies will be laced with an admixture of 7 per cent petrol and 33 per cent methanol. Environmentalists and trade unionists fear the methanol will worsen air pollution and intoxicate petrol pump attendants. State authorities in Rio de Janeiro plan to forbid its use.

In Sao Paulo, which suffers acute air pollution, environmental control officials prefer to use methanol rather than increase petrol consumption. The alcohol shortage will be felt most acutely between February and May.

Mr da Silva explained that perverse government policies have discouraged sugar cane production and encouraged alcohol consumption. Government-controlled sugar cane prices have been set too low. Meanwhile, low retail prices – also set by decree – have encouraged consumption of alcohol. Consumption has grown by 15 per cent this year.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium high grade	+150	to 42,925
Copper	−1,000	to 117,000
Lead	−1,675	to 21,600
Nickel	+1,002	to 3,318
Zinc	−1,700	to 61,350
Tin	+705	to 8,365

Technology gives Argyle the cutting edge

Kenneth Gooding on how the world's largest diamond producer plans to expand

ARGYLE Diamond is the world's newest and – in volume terms – biggest diamond producer. It is now ready to try to establish an international retail brand identity for its diamonds.

It will be the first time any gem stone or precious metal mining company has taken such a step. The development goes hand in hand with a A$17m (£8.5m) expansion programme at the Argyle mine in the Kimberley region of Western Australia and increasing use of high-technology machines to sort its diamonds.

Mr David Karpin, Argyle's managing director, says it is not yet certain that the Argyle Diamonds brand will be introduced in either Japan or the US next year. These countries have been chosen because each accounts for about one third of world gem diamond retail sales.

To provide enough suitable stones for the campaign, Argyle will have to set up a second cutting and polishing centre, probably in Thailand. China, India and Malaysia are also being considered.

Mr Karpin says that the company's test marketing operations in Australia have indicated that an Argyle Diamonds' branded stone can attract a price premium of 25 per cent over a similar unbranded diamond. He suggests the main reason is that buyers are willing to pay extra for the comfort of knowing that a large producer is guaranteeing the size and quality of the stones.

Argyle is promoting only a very limited proportion of its output – stones of more than four tenths of a carat, or "40 points" in the trade jargon, and only those cut and polished at its own centre in Perth. It is spending about A$1m in Australia on promotion this year, a considerable chunk of its A$5m revenue in the country.

That pales into insignificance, however, compared with the US$140m (£90m) being spent this year by De Beers, the South African group, to promote diamonds generically worldwide. De Beers' Central Selling Organisation controls about 80 per cent of world trade in rough (uncut) diamonds.

Argyle has a five-year contract with the CSO, which markets 75 per cent of Argyle's industrial diamonds (boart) and near gem stones (melees). All but a few of Argyle's gem stones are also sold through the CSO. Argyle withholds about 6,000 carats a year of gem quality diamonds, including most of the pink-coloured stones for which it is famous – for cutting and polishing in Perth. After cutting and polishing, these are sold at auction or privately and have in the past returned over US$400,000 a carat.

MR Karpin points out that these operations give Argyle, which started mining as recently as 1983, a "window on the diamond market." They also add a great deal of value to the rough stones. Argyle recently sold 67 gems in Geneva totalling 64 carats for US$9m, and a 1.5 carat stone sold privately for a record (for a pink) of more than US$1m a carat.

All 20 cutters in Perth come from outside Australia, which has no experienced craftsmen of its own. However, Argyle has now decided, after an 18-month test, to take on three locally born apprentices. Mr Karpin says it would not make commercial sense to set up in a high-cost base like Western Australia the large cutting and polishing centre that will be needed to service a branded diamond operation in Japan or the US.

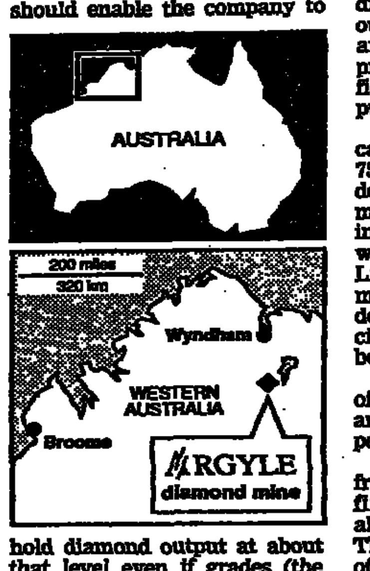
The brand campaign will concentrate on promoting the coloured stones which account for about half of Argyle's production. These brown stones were previously not regarded as gem quality, but Argyle found rapid consumer acceptance when it marketed them as "champagne" and "cognac" diamonds. The CSO concentrates on promoting only white diamonds but Mr Karpin says: "We have found there are people out there who would not buy white diamonds but will buy coloured stones."

Argyle's contract with the CSO ends in 15 months' time and Mr Karpin suggests that while there is some tough bargaining ahead, "it would not be in the interests of either company if there was not an association between Argyle and the CSO."

He describes the Argyle mine as "a dream venture" because it was brought in under budget, on time and has worked well above rated capacity fed most of the time – it was designed to handle 3m tonnes of ore but is processing 4.7m tonnes.

The mine is set in a very remote part of Western Australia, where at this time of year the contractors have to start work at 3am – because their equipment gets too hot to handle after the sun has been up a few hours. The only unexpected problem has been that the level of the Ord Dam – a stretch of water bigger than Sydney Harbour from which the mine takes its water supply – has dropped to its lowest point ever, and Argyle is having to extend its piping and pumps further out into the dam. This is on top of the current A$17m expansion programme, which will lift the mine's throughput to 6m tonnes a year.

Diamond production this year should reach more than 35m carats (32m in 1988), and the increase in ore throughput should enable the company to hold diamond output at about that level even if grades (the diamond caratage per tonne of ore) fall.



The mine supplies about 30 per cent of the world's diamonds by volume, making it the world's largest producer, but it ranks sixth in terms of value of production. This is because only 5 per cent of the stones mined are of gem quality (earning about 40 per cent of the revenue of about A$1m a day), 40 per cent are near-gem (45-50 per cent of revenue) and about 55 per cent are industrial quality (10 to 15 per cent of revenue).

Argyle finds only two carats of intense pinks among every one million carats it mines.

The scale of production at the mine would not have been possible without the use of automation to sort the diamonds.

X-ray machines are used to locate the diamonds among the ore, and machines also sort diamonds by shape and by colour. The latest addition to the armoury of automation is a prototype machine that classifies stones according to their purity.

Operating at up to 4,800 carats an hour (more than 75,000 stones an hour) the device is possibly the only diamond purity sorting equipment in the world that can operate with accuracy at this speed. Like much of Argyle's automated equipment, it was designed by CRA's group special equipment unit in Melbourne.

CRA now owns 58.3 per cent of Argyle and Ashton Mining, another Australian group, 38.7 per cent.

Argyle's net profit soared from A$13.55m to $46m in the first half of this year, well above any full-year to date. The company had the benefit of a CSO price increase in the year which translated to a 14 per cent rise for Argyle diamonds.

Mr Karpin says the outlook for the diamond market next year is "reasonably good" although "it won't be a year of spectacular growth." He will be more than happy if the CSO can maintain the total diamond market revenue at this year's level.

He points out, however, that if the market should soften, buyers tend to trade down to less-expensive stones – the kind Argyle mainly produces.

Washington reports rise in agricultural exports

By Nancy Dunne, in Washington

US AGRICULTURE in the last fiscal year gained ground in all its top ten export markets apart from the EC as the value of foreign sales leapt to almost $40bn (£25.6m), according to the US Agriculture Department.

With September trade data in and showing a rebound after an August decline, the USDA said farm exports ended fiscal 1989 with a 12 per cent increase over fiscal 1988 and a 51 per cent increase over the fiscal 1986 low point of $26bn. Helped partly by the higher prices resulting from last year's drought, last year was the sector's best since 1981.

Grains and feeds had the largest absolute value gains, while the oilseeds sector posted the greatest losses. Exports of livestock products, horticulture, planting seeds and wood products set new records.

Japan was the leading market for US farm exports, purchasing a record $8.2bn. Export records were also set for farm sales to Canada, Mexico, the USSR, Iraq, South Korea and Taiwan. However, sales to the EC dropped 13 per cent from 1988 levels.

In volume terms, the picture was somewhat less impressive. At 147bn tonnes, exports fell 1 per cent from 1988, but the level was still the second highest since 1982.

The worst performance was in soyabeans and soyabean products, which were at their lowest level since fiscal 1975 at 19.4m tonnes. The EC accounted for 57 per cent of the drop in volume and two thirds of that in value from last year.

Fruit from Chile arrives in US

By Barbara Durr, in Santiago

CHILE'S first fresh fruit shipment for the 1989-90 winter season has arrived in the US, and consumer reaction is expected to be positive in spite of a controversial poisoning episode earlier this year of two Chilean grapes.

The US Food and Drug Administration's discovery last March of two grapes tainted with cyanide in Philadelphia closed the US market for four days at the peak of the Chilean fruit exporting season.

The discovery, which experts have since questioned, followed two anonymous phone calls to the US embassy in Santiago, which threatened to poison fruit exports to the US.

Similar calls were made to the Japanese embassy, which also led Japan to close its market temporarily to Chilean fruit exports. Canada followed suit as a preventative measure.

The losses suffered by the Chilean fruit exporting industry, one of the country's most important for foreign trade, were estimated by the Exporters Association to reach $300 million (£192m).

Recent reports have suggested that the grapes may not have been poisoned at all or that, if they were, the incident took place in the US, not Chile. The Chilean Attorney General, Mr Ambrosio Rodriguez, has said that if it is proved that the grapes were poisoned in the US, Chile would sue the US government for at least $200 million compensation.

Mr Rodriguez is awaiting the results of several investigations underway at Chile's request in US federal courts. The lawsuit would be brought on the basis of negligence by US officials.

Chilean fruit exports are expected to grow in the 1989-1990 season by 12 per cent to 105 million crates, according to Mr Ronald Bown, director of the Exporters Association.

Mr Bown said the industry's previous annual growth rate of between 16 and 20 per cent has been broken by the poisoning scandal. Tougher inspections and security have been imposed on the industry, and banks – which previously lent liberally to fruit producers and exporters – have been more tight-fisted this year, according to Mr Bown.

He said this has caused "a kind of adjustment in the industry," he said, by reducing the number of producers. He projected an average income of $7 per crate for total exports of approximately $735 million. The US accounts for about half of all Chilean fruit exports.

WORLD COMMODITIES PRICES

LONDON MARKETS

GOLD lost $8 an ounce on the bullion market yesterday. Early losses were triggered by Japanese selling, and prices came under further pressure from New York in the afternoon. But talk of Soviet sales remained unconfirmed, dealers said. On the LME nickel and tin prices were again in retreat. Continuing technical tightness widened the cash premium for nickel to $625 a tonne over the three-month price, compared with $462.50 on Friday. There are no bullish factors in sight, say dealers. Tin prices weakened in thin trading. Analysts said the recent low of $6,570 seems likely to be revisited in the short term unless there is a substantial increase in end-user demand or signs that major producers are prepared to make production cuts. Copper prices also fell under small-scale liquidation and speculative selling.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.55-6.60z	+.325
Brent Blend	$19.20-9.25z	+.525
W.T.I. (1 pm est)	$20.50-0.53z	+0.43
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$190-192	+3
Gas Oil	$200-201	+3
Heavy Fuel Oil	$110-112	+4½
Naphtha	$161-163	+3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$405.75	-8.00
Silver (per troy oz)♣	561c	-10
Platinum (per troy oz)	$508.25	-5.75
Palladium (per troy oz)	$141.50	+0.75
Aluminium (free market)	$1700	-5
Copper (US Producer)	114⅝-115c	-2
Lead (US Producer)	39.5c	
Nickel (free market)	405c	
Tin (Kuala Lumpur market)	17.61r	-0.19
Tin (New York)	301c	-5
Zinc (US Prime Western)	73¼c	
Cattle (live weight)†	114.71p	+0.81*
Sheep (dead weight)†	207.34p	+0.22*
Pigs (live weight)†	89.61p	-1.79*
London daily sugar (raw)	$339.4x	-8.6
London daily sugar (white)	$380x	-5
Tate and Lyle export price	£331.5	-8.0
Barley (English feed)	£116.25	-0.25
Maize (US No. 3 yellow)	£129	
Wheat (US Dark Northern)	£129.75v	
Rubber (spot)♥	56.00p	
Rubber (Jan)♥	58.50p	
Rubber (Feb)♥	59.50p	
Rubber (KL RSS No 1 Jan)	226m	
Coconut oil (Philippines)§	$430x	-5
Palm Oil (Malaysian)§	$287.5	-2.5
Copra (Philippines)§	$290	
Soyabeans (US)	£172.5	
Cotton "A" index	79.40c	
Woollops (64s Super)	578p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct. x-Dec/Jan. t-Jan/Mar. v-Nov/Dec. w-Dec. z-Jan †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	655	643	650 636
Mar	655	651	660 647
May	668	662	672 659
Jul	680	676	684 673
Sep	697	693	700 692
Dec	721	715	722 715
Mar	739	734	740 735

Turnover: 4615 (5718) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec 4 756.38 (753.40):10 day average for Dec 5 758.73 (761.56)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Jan	676	679	681 672
Mar	676	684	684 675
May	697	699	702 698
Jul	717	720	720 716
Sep	740	739	740 735
Nov	758	760	759 756

Turnover: 1883 (2238) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec 1: Comp. daily 61.81 (61.62). 15 day average 61.96 (62.06)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	297.00	308.20	309.40 296.60
May	298.40	308.00	308.00 298.00
Aug	295.40	305.40	305.00 295.40
Oct	287.40	298.00	298.00 287.40
Dec	288.40		290.00
Mar	277.00	284.00	283.00 276.00
White	**Close**	**Previous**	**High/Low**
Mar	371.00	381.50	381.00 371.00
May	377.50	387.00	385.00 376.50
Aug	387.50	397.50	394.50 389.00
Oct	359.50	368.00	367.00 361.00
Dec	350.00		352.00
Mar	348.00	354.00	354.00 350.00

Turnover: Raw 4659 (3185) lots of 50 tonnes. White 2579 (1620)
Paris- White (FFr per tonne): Mar 2262, May 2320, Aug 2415, Oct 2220, Dec 2195, Mar 2195.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Jan	19.17	18.69	19.29 19.00
Feb	18.76	18.36	18.93 18.70
Mar	18.62	18.16	18.64 18.47
IPE Index	18.72	18.39	

Turnover: 10013 (5481)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Dec	199.25	193.50	201.00 195.00
Jan	192.75	187.75	195.00 188.50
Feb	186.00	180.75	187.50 182.25
Mar	177.50	172.75	179.25 174.50
Apr	171.00	166.75	173.00 168.50
May	166.50	161.00	167.00 163.00
Jun	164.00		165.00 164.00

Turnover 12041 (8415)lots of 100 tonnes

INDICES

REUTERS (Base: September 18 1931 = 100)			
Dec 4	Dec 1	mnth ago	yr ago
1827.6	1831.4	1863.6	1878.6

DOW JONES (Base: Dec. 31 1974 = 100)	Dec 1	Nov 30	mnth ago	yr ago
Spot	129.77	129.80	131.34	136.43
Futures	130.77	131.24	130.14	139.33

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 13,425 tonne
Cash	1680-2	1708-10		1695-700		
3 months	1681-2	1704-5	1707/1676	1697-8	1676-7	32,886 lots
Copper, Grade A (£ per tonne)						Ring turnover 38,150 tonne
Cash	1587-9	1598-600	1580	1580-0.5		
3 months	1582-3	1613-4	1594/1588	1594-5	1575-6	74,752 lots
Lead (£ per tonne)						Ring turnover 7,550 tonne
Cash	434-6	423-4	434/432	434-5		
3 months	429-30	422-3	430/422	428-9	427-8	11,455 lots
Nickel ($ per tonne)						Ring turnover 1,146 tonne
Cash	8700-800	8900-9000	8750/8650	8700-25		
3 months	8100-50	8475-500	8350/8100	8075-100	8125-50	7,604 lots
Tin ($ per tonne)						Ring turnover 570 tonne
Cash	6510-30	6630-80	6500	6480-500		
3 months	6630-40	6730-800	6655/6600	6580-600	6585-600	5,636 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 13,650 tonne
Cash	1426-35	1415-20	1425	1425-7		
3 months	1340-5	1350-2	1355/1340	1340-5	1335-40	16,133 lots
Zinc ($ per tonne)						Ring turnover 5,450 tonne
Cash	1415-25	1405-15	1415/1410	1412-5		
3 months	1325-35	1330-40		1335-45	1310-20	2,172 lots

LME Closing £/$ rate: SPOT: 1.5620 3 months: 1.5369 6 months: 1.5084 9 months: 1.4842

POTATOES – IPE £/tonne

	Close	Previous	High/Low
Apr	213.5	214.7	214.5 212.9
May	239.5	240.0	238.9 238.5

Turnover 73 (124) lots of 40 tonnes.

SOYABEAN MEAL – IPE £/tonne

	Close	Previous	High/Low
Feb	145.00	146.50	145.00
Apr	142.80	144.00	142.80

Turnover 40 (32) lots of 20 tonnes.

FREIGHT FUTURES – IPE $10/index point

	Close	Previous	High/Low
Dec	1615	1620	1622 1611
Jan	1641	1641	1645 1635
Apr	1656	1665	1657 1650
Jul	1391		1390
BFI	1629	1640	

Turnover 288 (278)

GRAINS – IPE £/tonne

Wheat	Close	Previous	High/Low
Jan	115.15	114.65	115.15 114.90
Mar	118.10	117.85	118.25 118.10
May	121.35	121.05	121.45 121.30
Jun	123.00	122.70	123.00
Sep	105.65	105.25	105.65
Nov	108.50	108.10	108.60 108.50
Barley	**Close**	**Previous**	**High/Low**
Jan	110.80	110.30	110.80 110.70
Mar	113.75	113.30	113.75 113.55
May	115.15	115.00	115.15

Turnover: Wheat 301 (385). Barley 72 (82). Turnover lots of 100 tonnes.

PIGS – IPE (Cash Settlement) p/kg

	Close	Previous	High/Low
Feb	110.5	109.5	
Apr	110.5	110.0	110.0
Jun	111.5	110.8	110.5 110.0
Aug	111.0		110.5 110.0

Turnover 125 (0) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	405½-406	259½-260
Opening	408½-409	260½-261
Morning fix	409.90	261.299
Afternoon fix	408.60	261.420
Day's high	410-410½	
Day's low	405½-406	
Coins	**$ price**	**£ equivalent**
Mapleleaf	414-419	265-268
Britannia	414-419	265-268
US Eagle	414-419	265-268
Angel	414-419	265-268
Krugerrand	405-408	259-261
New Sov.	97-99	62-63
Old Sov.	97-99	62-63
Noble Plat	514.35-522.50	328.85-334.10
Silver fix	**p/fine oz**	**US cts equiv**
Spot	360.85	565.10
3 months	374.35	576.60
6 months	388.15	588.55
12 months	413.80	610.85

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1600	101	109	11	33
1700	39	58	47	77
1800	10	24	117	149
Copper (Grade A)	**Calls**		**Puts**	
2350	127	137	22	70
2450	65	88	59	118
2550	27	53	120	181
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
650	34	53	9	28
700	10	29	39	54
750	2	12	77	87
Cocoa	**Mar**	**May**	**Mar**	**May**
600	69	85	15	19
650	39	54	35	38
700	19	32	66	66
Brent Crude	**Feb**	**Mar**	**Feb**	**Mar**
1800	100	60	16	33
1850	65	36	23	52
1900	36	20	44	

US MARKETS

IN THE METALS, scattered liquidation sank the gold, silver and platinum markets to heavy losses, reports Drexel Burnham Lambert. December gold lost 12.50 while the silver dropped 15.40 in active trading. Copper slipped from light fund selling. In the softs, sugar fell sharply due to heavy trade activity. Stop-loss selling also added weakness. Cocoa closed lower after posting gains earlier in the session. Commission house liquidation was featured. Origin selling weighed on the coffee. March coffee fell 221 closing at 7562. The grains began the week lower but with mostly local action. Wheat was down 5 cents basis March as the day's most active market. In the livestocks, pork bellies remained lower while hogs and cattle were mixed. The energy complex was strong for most of the session as technical buying provided support. Carryover selling from Friday sent cotton prices limit down.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	401.1	413.6	410.0	401.1
Jan	403.9	416.6	0	0
Feb	406.6	419.3	415.5	406.5
Apr	411.5	424.5	421.0	0
Jun	416.4	429.5	425.5	415.8
Aug	421.0	434.1	429.5	422.5
Oct	425.8	439.0	433.6	431.0
Dec	430.8	444.1	438.5	431.0
Feb	436.0	449.5	442.6	438.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	503.7	520.7	516.0	503.2
Apr	508.7	525.8	522.0	508.5
Jul	514.7	531.8	524.5	515.0
Oct	521.7	539.3	533.0	523.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	550.9	568.3	563.0	550.0
Jan	553.8	569.6	0	0
Feb	558.5	574.3	581.5	561.5
Mar	563.0	578.8	575.5	562.5
May	570.9	586.9	584.0	570.0
Jul	578.9	595.1	593.0	578.0
Sep	587.0	603.4	598.0	587.0
Dec	599.1	615.7	610.0	600.0
Jan	602.7	619.4	0	0
Mar	611.0	627.9	620.0	616.0

TEA

A total of 21,619 packages was offered including 4,600 offshore, reports the Tea Brokers' Association. Assams met keen competition, with prices for all medium and better quality teas 10 to 15p per kilo dearer by the close. Bangladesh teas showed some irregularity but mostly sold at higher levels. Africans met good general demand and the brightest liquoring teas proved substantially dearer. Ceylons were well supported. In the offshore CIF auction demand was selective and prices barely steady. Quotations: quality 200p nominal (185p), medium 180p (152p), low medium 128p (128p).

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	108.35	109.35	110.00	108.15
Jan	106.00	107.00	108.00	105.80
Feb	105.10	106.00	107.25	107.25
Mar	104.35	105.00	106.20	103.90
Apr	103.85	104.30	104.70	104.70
May	103.40	103.70	104.70	103.20
Jun	102.90	103.10	0	0
Jul	102.40	102.40	102.70	102.10
Aug	101.90	101.85	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	20.53	20.30	20.62	20.38
Feb	20.35	20.09	20.42	20.15
Mar	20.17	19.91	20.23	19.95
Apr	19.99	19.70	20.05	19.80
May	19.82	19.56	19.90	19.64
Jun	19.67	19.42	19.70	19.50
Jul	19.55	19.28	19.55	19.40
Aug	19.35	19.15	19.38	19.28
Sep	19.22	19.04	18.25	19.07
Oct	19.10	18.95	19.16	19.09

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jan	6430	6291	6465	6375
Feb	6245	6125	6270	6185
Apr	5596	5532	5615	5565
May	5400	5337	5410	5370
Jun	5250	5202	5260	5220
Sep	5360	5272	5375	5330
Oct	5440	5332	5440	5410

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	933	936	959	945
Mar	917	927	946	915
May	925	936	952	923
Jul	937	948	964	937
Sep	953	967	975	974
Dec	974	986	999	975
Mar	995	1004	1004	1004
May	1010	1017	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	72.09	74.01	74.47	72.00
Mar	75.62	77.83	77.90	75.50
May	77.90	79.74	80.00	77.60
Jul	80.00	81.28	81.75	79.70
Sep	82.10	83.37	83.35	82.25
Dec	84.75	87.00	86.75	88.30
Mar	87.50	89.55	89.50	88.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	13.78	14.08	14.00	14.00
Mar	13.46	14.01	13.80	13.43
May	13.49	13.98	13.77	13.48
Jul	13.37	13.75	13.62	13.34
Oct	12.97	13.38	13.32	12.96
Mar	12.55	12.85	12.84	12.54

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	68.35	68.60	69.20	68.00
Mar	68.94	70.94	70.45	68.94
May	69.95	71.95	71.45	69.95
Jul	69.83	71.83	71.46	69.83
Oct	65.90	67.60	67.40	65.60
Dec	63.75	65.30	65.10	63.55
Mar	64.30	65.85	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	128.75	128.00	130.25	128.50
Mar	128.35	126.85	128.48	127.05
May	127.50	126.00	128.20	127.25
Jul	127.40	126.50	127.70	126.50
Sep	126.10	125.90	126.00	126.00
Nov	126.10	125.90	126.40	126.25
Mar	124.90	124.90	0	0
May	124.90	124.90	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	572/2	576/2	574/4	571/2
Mar	585/4	589/2	587/0	584/4
May	597/0	601/6	600/0	596/4
Jul	606/6	610/4	608/4	605/6
Aug	608/6	612/0	609/0	608/0
Sep	604/2	608/0	605/4	603/2
Nov	605/6	607/2	606/6	603/2
Jan	616/4	617/4	618/0	614/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	18.61	18.85	18.77	18.55
Jan	18.81	19.04	18.98	18.75
Mar	19.24	19.45	19.45	19.17
May	19.60	19.80	19.75	19.53
Jul	19.85	20.05	20.05	19.81
Aug	19.87	20.08	20.05	19.86
Sep	19.90	20.08	20.20	19.90
Oct	20.02	20.14	20.00	20.05

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	180.6	181.8	181.4	180.4
Jan	181.4	182.4	182.0	181.1
Mar	181.8	183.0	182.2	181.3
May	181.5	183.0	182.0	181.2
Jul	181.9	183.1	182.5	181.6
Aug	182.2	183.4	183.0	182.2
Sep	183.0	183.6	183.5	182.5
Oct	182.1	182.5	183.0	182.1

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	232/4	234/4	233/4	231/6
Mar	237/2	238/4	239/0	235/4
May	241/2	242/0	241/2	239/4
Jul	244/4	245/2	245/0	243/0
Sep	241/2	241/0	241/6	240/0
Dec	240/2	239/0	240/4	237/4
Mar	247/2	246/0	247/2	245/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	404/0	408/2	408/4	402/2
Mar	403/2	408/2	408/4	402/0
May	383/0	389/0	388/0	382/0
Jul	353/0	359/6	359/0	352/4
Sep	357/4	364/4	362/4	357/4
Dec	368/0	375/0	373/4	368/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	75.22	76.20	75.45	74.80
Feb	74.82	74.45	74.67	74.07
Apr	74.35	74.12	74.40	73.82
Jun	71.87	71.72	71.92	71.50
Aug	70.17	70.05	70.22	69.90
Oct	70.02	69.90	70.25	69.60

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	50.60	50.55	50.70	49.97
Feb	49.40	49.70	49.82	49.10
Apr	45.55	45.85	46.07	45.40
Jun	49.42	49.70	49.70	49.15
Jul	49.60	49.85	49.90	49.40
Aug	48.47	48.87	48.90	48.25
Oct	44.12	44.20	44.60	44.00
Dec	45.50	45.50	45.75	45.40

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	55.90	57.50	57.45	55.80
Mar	56.02	56.77	56.72	54.90
May	55.02	56.70	56.85	55.00
Jul	54.72	56.20	56.80	54.60
Aug	53.00	54.40	54.50	52.90
Feb	63.00	0	63.00	63.00
Mar	62.70	0	62.70	62.70

LONDON STOCK EXCHANGE

Equities stand up to the profit-takers

A BATCH of warnings from the corporate sector about earnings introduced a touch of reality into the UK stock market yesterday and the market quickly abandoned an attempt to extend the substantial gains of the past nine sessions. However, equities rallied to defend the Footsie 2,300 mark, and closed with only modest losses on the day. There were further signs of Japanese and European buying of UK equities, and London responded in late dealings to a firm opening on Wall Street.

The main shock of the day came from Asda, the supermarket group, which confirmed the market's worries over the effects of high interest rates on consumer spending trend by warning that profits could fall by about a quarter this year. An adverse factor on major market indices was the sharp setback in British Aerospace on concerns that a British Parliamentary hearing into the terms of the acquisition of Rover, the UK car group, could upset the deal.

Account Dealing Dates			
*First Dealings	Nov 27	Dec 11	Dec 27
Option Declarations	Dec 7	Dec 21	Jan 11
Last Dealings	Dec 8	Dec 22	Jan 12
Account Day	Dec 18	Jan 8	Jan 22

*New time dealings may take place from 9.00 am two business days earlier.

At the opening, equities fully maintained last week's optimism which had been buttressed by Friday's performance on Wall Street, and were about 20 Footsie points up before the first official calculation of the Footsie Index. But the initial impetus soon wore off, and equities did little more than trundle along until mid-session when the Asda trading statement took the heart out of the market and share prices turned sharply downwards although selling pressure was fairly light.

The market was a net 13 points off before a gentle recovery set in. The rally was helped by a firmer trend in early deals on Wall Street which encouraged hopes that US interest rates may be on a downward trend. At the final reading, the FT-SE Index was a net 7.7 points down at 2,303.4. Turnover, noticeably thin during the early and bearish part of the session, increased towards the close. Seaq volume finally totalled 484.4m shares, against Friday's 544.3m and the lower daily totals recorded for most of last month.

Despite yesterday's dip in market indices, market strategists were not too upset by the Asda profit warning – "we know the retail industry is in trouble", said one. Yesterday's modest fall was regarded as almost insignificant when measured against last week's sharp rise. More important was the re-appearance of Far Eastern buyers for UK banking and financial stocks which have established themselves as a prime defensive sector of the UK market, as well as an arena for international bid moves.

Insurance stocks stood out as the market rallied, reflecting the view that foreign insurance firms continue to cast acquisitive eyes on the UK sector. Once again, Guardian Royal Exchange was a notably active feature, although the shares closed lower.

FINANCIAL TIMES STOCK INDICES

	Dec 4	Dec 1	Nov 30	Nov 29	Nov 28	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	82.93	82.98	83.08	83.15	83.50	86.94	93.29 (8/2)	82.93 (4/12)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.40	92.33	92.38	92.39	92.52	96.49	99.59 (15/3)	92.33 (1/12)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1823.0	1833.6	1805.6	1781.7	1763.3	1439.0	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	294.3	293.2	280.5	286.9	280.7	180.7	300.0 (27/11)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2303.4	2311.1	2278.8	2255.6	2242.0	1781.8	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.66	4.65	4.73	4.79	4.82	5.02				
Earning Yld %(full)	11.28	11.26	11.44	11.60	11.61	12.71				
P/E Ratio(Net)(*)	10.71	10.72	10.58	10.41	10.41	9.50				
SEAQ Bargains(5pm)	28,386	31,424	25,241	25,139	24,418	24,971				
Equity Turnover(£m)†	-	1011.72	804.35	959.90	1137.60	976.74				
Equity Bargains†	-	35,858	23,948	25,922	24,738	25,690				
Shares Traded (ml)†	-	448.0	351.0	370.2	392.8	548.5				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ※ Nil 10.62

Ordinary Share Index, Hourly changes — Day's High 1851.0 — Day's Low 1819.1

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1851.0	1849.8	1843.6	1837.5	1836.1	1830.3	1824.9	1820.3

FT-SE, Hourly changes — Day's High 2329.0 — Day's Low 2297.5

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2329.0	2327.6	2319.9	2311.6	2309.4	2307.2	2303.3	2298.2

GILT EDGED ACTIVITY

Indices*	Dec 1	Nov 30
Gilt Edged Bargains	73.3	100.1
5-Day average	84.2	88.9

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

Asda hit by profits warning

Asda, the supermarket group, fell quickly in heavy trading as a profits warning caught the market unawares – the timing, as well as the content, upset investors. "We had been expecting more shocks, but not quite so quickly," said Mr Philip Dorgan, analyst at Goldman Sachs. Mr Julian Hardwick at BZW said: "The problems are not new but the extent of the impact on profits is greater than expected." Asda had already acknowledged that it had hit a rough patch.

Analysts cut their forecasts across the board. Mr Dorgan, for example, replaced his £202m prediction for current year profits with a £180m to £185m range. Next year's figure is £216m instead of £243m.

The shares dropped sharply, and bargain hunters only put in an appearance at below 120p when turnover expanded rapidly in busy two-way trade. Some 20m shares had changed hands by the close with the price settling at 117p. Asda topped the list of actives in the traded options market with contracts for the equivalent of almost 1.7m shares being exchanged.

Analysts claimed that Asda's senior management was relatively inexperienced. They also argued that the directors had taken their eyes off the ball in their expenditure of £705m on superstores, once run by Gateway, and £165m on a new distribution system. One pointed out that the stresses at the top were not helped by the fact that Asda was losing market share to Kwik Save in its heartland of the north of England. Kwik Save was one of the few food retailers to rise yesterday, closing 12 better at 582p.

Aerospace down

Fears that the European Commission was about to order an investigation that would force British Aerospace to repay the secret £39m "sweetener" it gained from the UK Government as part of the deal to purchase Rover Group last year, sent the shares sliding.

The price fell 38 to 490p in early trading. However, bargain hunters, who moved in later in the day to acquire what they considered to be cheap stock, helped lift the price and it closed at 507p, a day fall on the day of 21 on modest turnover of 3.2m. Most of the buying was said to be domestic, with foreign buyers staying away.

An analyst said: "I think it has taken the biggest knock it is likely to take, though people are still nervous and it will thus remain a bit weak." As for the possibility of paying back the "sweetener", the analyst said: "Even if British Aerospace has to pay back that money, Rover is still a bargain." Another analyst said that it was unlikely that BAe would be made to repay the money.

But it was not all doom and gloom around British Aerospace and the company announced it was forming a joint venture with Asda, the supermarket chain.

Abbey sold

Abbey National was active with almost 8m shares changing hands. Dealers said the shares initially rose strongly to touch a post-flotation record of 165p but then began to wilt in the face of concerted selling by small investors to close a net 2 off at 161p. The shares were floated in July at 130p apiece.

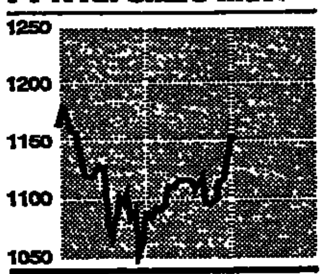
"The small private investor, who probably speaks for around 80 per cent of Abbey shares, has been selling them with a view to re-investing in the water flotations. He is also selling Abbey to help pay for Christmas," said Mr John Wrigglesworth of UBS Phillips & Drew. He advised buying Abbey on any weakness.

The clearing banks were up and running hard at the outset, with buyers' appetites whetted by talk of further strong support from Japanese institutions, a stock shortage and a positive note on the sector from UBS Phillips & Drew. The UBS banks team rates the whole sector a buy, stresses that LDC debt "is basically a past problem," and says investors "should turn to the domestic prospects for the banks with their scope for enhanced earnings".

But there was plenty of profit-taking in the sector and by the close Lloyds were showing a 7 decline at 427p on 1.1m, Midland 4 cheaper at 359p.

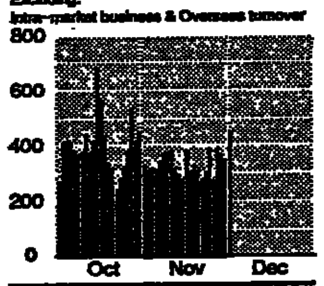
Insurances were mixed. Takeover speculation continued to drive Britannic (up 6 at 572p) and Refuge (3 more at 702p, after 709p). Composites fell steeply, upset by profit-taking, but traders were wary of going short of any of the potential takeover stocks. Guardian Royal Exchange, where dealers are convinced that big buying

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



in November was part of a stake-building operation, lost 8 to 259p.

Suggestions that Polly Peck would follow BTR's lead and demerge its North American operations pushed the shares 20p better at one point. Analysts at Hoare Govett put a demerger value on the company of 530p per share. They also edged their profits forecast higher and cut their predicted tax charge on the company. The price later subsided with the market but still ended 5 higher on the day at 391p.

Nine-month figures from SmithKline Beecham pleased the market, and the "A" shares climbed 9 to 593p.

The oil and gas sector was bolstered by a strong showing by crude oil and gas prices which responded to the recent bouts of cold weather in Europe and the US.

Calor shares were boosted by the cold weather and also by some determined buying interest by Citicorp Scrimgeour Vickers who were said to be chasing the stock on expectations of a large special dividend for the three months period to December 1989. Calor shares closed 11 higher at 428p, after 431p, on turnover of 534,000.

Premier Consolidated initially progressed to the 118p mark but then fell back sharply to close a net 2 off at 113½p after news that the rig chartered to drill the company's much-heralded appraisal well off the coast of Thailand has been damaged and that drilling of the crucial well will probably be delayed for some four weeks. Some analysts took a much more pessimistic view that the drilling could be held up possibly until late January.

Shell, one of UBS Phillips & Drew's "shares for the 1990's", and where top analysts are said to be visiting the company's Far Eastern operations, eased 3 to 456p. Ultramar, on hopes of a revaluation of the group's Indonesian LNG operations, added 2 at 339p, after 342p, with turnover expanding to 3.6m.

The stronger property sector helped pull P & O higher with the shares 6 up at 581p. Elsewhere in the transport sector highly volatile Eurotunnel continued to attract buyers and touched 633p during the morning before slipping back to close a net 15 up at 613p. British Airways attracted late buying interest, encouraged by news that Sir Gordon White, the Hanson director, had joined the board. BA rose 4 to close at 213p.

The profits warning from Asda cast a shadow over the food retailing sector, where the leaders shed a few pence. The apprehension spilled over into other retailers where only Body Shop put in a firm performance. The shares climbed another 21 to 528p helped this time by the appointment of a new broker, County Nat West WoodMac instead of ANZ.

Ratners, which with Body Shop has been one of the few retailers to attract buying in the face of a possible recession, suffered a reverse. Two securities houses, County NatWest WoodMac, and US Phillips & Drew, cut their profit forecasts. County now predicts £108m for the current year, instead of £117m, while UBS is going for £105m instead of £115m. Their recommendations, however, are unchanged at "buy" and "sell" respectively. Mr John Smith at UBS explained his bearishness, by arguing that Ratners theoretical resilience in hard times, based on the low ticket prices of its products, was unproven, whereas the fall in sales of more expensive items was a reality.

Cadbury-Schweppes had an uncomfortable day as talk that brokers' downgradings were on their way seeped through the market. Dealers said that company had lined up meetings with analysts next week. The shares ended 9 down at 347p.

Dealers said they and investors had previously topped up their holdings in Scottish & Newcastle ahead of interim figures on December 11. In the absence of demand, the shares slipped to 354p, before recovering some of the ground by the close to finish a net 5 off at 358p.

Pessimism ahead of full-year figures tomorrow from Saatchi and Saatchi hit the shares again. They closed another 15 lower at 259p. Stories, backed by a wire service report, of a downgrading from James Capel hurt Yellowhammer. Capel denied the stories, but too late to help the shares which ended 5 cheaper at 145p.

A 68 per cent improvement in interim profits at clothesmaker Alexon pushed the shares to 402p before they eased with the market to close 5 better on the day at 390p.

McCarthy & Stone, the troubled sheltered homes construction and management group, managed a minor gain after announcing further moves to relieve pressure on the group from high interest rates. McCarthy shares, which have fallen from 407p to a low of 72p this year, settled 2 firmer at 107p. The company is selling its Homelife Investments subsidiary to BUPA Investments for £9.2m and says it will use the money to "reduce overall indebtedness." Homelife Investments owns and runs five nursing homes for the elderly.

Earlier this year McCarthy said that the economic climate was hitting the sheltered homes market and that it was experiencing a severe reduction in sales of retirement homes in the south of England. It began a series of restructuring moves, including staff cuts and the sale of its headquarters building in Bournemouth. The company said yesterday it was "continuing to experience difficult trading conditions" but that it "believes Spring 1990 will see the return to an improving market." The group's preliminary figures are expected on December 15.

BTR, the industrial conglomerate, advanced on confirmation that it is planning to float BTR Inc, its US holding company, estimated to be worth around £1.5bn.

Mr John Cahill, chief executive of BTR, said: "It's our intention to take BTR Inc public...we are not at the point yet where we have defined which pieces we would put in." The shares gained 10 to close at 453p.

BPB Industries, which last week announced a steep fall in interim profits, managed a minor improvement to 223p on turnover of 1.1m. Dealers said there had been plenty of small buying interest in the stock ahead of a visit by building industry analysts to the company's new plant in Dusseldorf. "It will prove to them that BPB will come out as Europe's biggest and lowest-cost plasterboard producer," said one dealer.

The property sector moved up with the market in the morning and then held its ground. The strength was generally in the first-line issues where marketmakers said there was a shortage of stock.

GEC came under renewed pressure, closing 5 off at 216p on turnover of 5.2m, ahead of today's interim results which refer to the period before the group won control of Plessey. The range of market forecasts goes from around £340m to £350m with most analysts favouring the higher figure. The interim dividend is expected to be increased by around 20 per cent to a figure of 2.6p. During the same period last last the group made pre-tax profits of £313m.

Profit-taking lowered Cable & Wireless 12 to 513p. The UBS Phillips & Drew note triggered good support for BICC which settled 9 higher at 457p on 1.3m.

Metal Closures, facing a £42.7m bid from Wassall, added 5 to end at 173p as the company rejected the bid. The market view remains that Wassall will have to increase its offer. A figure of an extra £10m has been mentioned. Wassall moved up 3 to 163p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 24

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	20,000	117	-28	Courtaulds	829	369		LASMO	514	556	+5	Saatchi & Saatchi	682	259	-15
Abbey National	7,900	161	-2	Dalgety	350	333	+2	Lonrho	1,400	281	-4	Sainsbury	1,700	265	-1
Allied-Lyons	1,600	489	-6	Dixons	343	138	+1	Lucas	452	607	-4	Scott & Newcastle	614	358	-5
Amstrad	1,100	37½	+½	Eng. China Clays	735	457	+3	MB Group	1,500	195	+1	Sears	2,600	106	-½
Argyll Group	3,400	210		Enterprise Oil	279	636	-2	MEPC	986	529	+8	Sedgwick	693	302	-5
Ass. Brit. Foods	11	416	-1	Fisons	1,100	352	+2	Marks & Spencer	898	199	-2½	Shell Transport	2,800	457½	-1½
BAA	2,900	382	+3	General Accident	533	1138	+8	Maxwell Comm.	580	232	-1	Siebe	31	448	-2
BAT Inds.	1,900	818	-13	General Elect.	5,200	216	-4	Mecca Leisure	709	158		Slough Ests	426	323	+7
BET	1,300	278	+1	Glaxo	2,000	760	-3	Midland Bank	423	359	-4	Smith & Nephew	639	138½	
BICC	1,300	457	+9	Globe Inv.	146	194	-½	NatWest Bank	4,935	344	-1	SmithKline Beecham	1,600	593	+9
BOC	738	530	-5	Glynwed Int.	1,700	241	-4	Next	2,300	83	-1	Smiths Industries	870	278	-1
BPB Inds.	1,100	223	+1	Granada	1,300	300	-13	Northern Foods	419	302		Standard Chartered	1,100	557	-3
BTR	3,100	453	+10	Grand Met.	1,500	567	-3	Pearl	41	607		Storehouse	802	114	-½
Barclays	1,900	551	+4	GUS A	162	1071	-6	Pearson	226	735		Sun Alliance	512	318	-4
Bass	762	1046	-3	GRE	1,100	237	-10	P & O	797	581	+6	T&N	197	191	-2
Blue Circle	1,600	229	+3	GKN	873	421		Pilkington	1,500	236½	-4½	TI Group	606	419	+4
Boots	1,100	279	-1	Guinness	2,400	647	-3½	Polly Peck Intl.	2,675	391	+5	TSB	3,300	121	
Brit. & Comm.	1,800	89	-4	Hammerson 'A'	84	791	+1	Prudential	3,400	213	-5	Tarmac	1,900	234	+4
Brit. Aerospace	3,200	507	-21	Hanson	5,600	232½	+1½	RMC	645	417	-2	Tate & Lyle	469	270	-2
British Airways	3,900	213	+4	Harrisons & Cros.	444	[illegible]	+1	RHM	637	646	+5	Taylor Woodrow	483	283	+5
British Gas	6,900	216½		Hawker Siddeley	497	644	-1	RTZ	870	545	-3	Tesco	4,700	189	-2½
British Land	907	345	+13	Hillsdown Hldgs.	867	264	-3	Racal	1,300	246	+2	THORN EMI	462	749	+4
BP	4,500	332	-½	IMI	565	196	-1	Rank Org.	380	875	-10	Trafalgar House	1,200	342	-3
British Steel	6,400	127	-½	ICI	1,000	1138	+5	Reckitt & Colman	104	1237	+6	Trusthouse Forte	1,742	306	-1
British Telecom	5,300	272	-2	Inchcape	1,500	286	+7	Redland	466	545	+7	Ultramar	3,600	339	+2
Burmah Oil	476	649	+2	Jaguar	64	827	-1	Reed International	429	413	-2	Unilever	1,800	705	+5
Burton	2,700	199	+3	Kingfisher	611	395	-4	Reuters	794	964	+1½	United Biscuits	1,800	355	-4
Cable & Wireless	2,000	513	-12	Ladbroke	958	309	+1	Rolls Royce	2,900	165	-½	Utd. Newspapers	136	438	-3
Cadbury Schweppes	1,900	347	-9	Land Securities	1,200	526	+8	Rothmans	342	655	-6	Wellcome	597	726	
Carlton Comms.	782	850	+1	Laporte	74	469	-1	Royal Bk of Scotland	864	187	+1	Whitbread 'A'	625	383	+1
Commercial Union	495	483	-6	Legal & General	2,000	436	+4	Royal Insurance	1,700	495	-7	Williams Hldgs.	1,300	235	
Cookson	1,600	271	+6	Lloyds Bank	1,100	427	-7	STC	1,400	370	-1	Wimpey	320	238	+1

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (166).
BRITISH FUNDS (1) AMERICANS (8) BANKS (11) BREWERS (2) BUILDINGS (2) STORES (3) ELECTRICALS (1) ENGINEERING (1) FOODS (4) INDUSTRIALS (4) Bader Int'l., Schlumberger, Unilever Do. N/V, INSURANCE (13) LEISURE (1) MOTORS (1) NEWSPAPERS (1) PAPERS (1) TRANSPORT (2) TRUSTS (28) OILS (8) OVERSEAS TRADERS (2) MINES (12) THIRD MARKET (1).
NEW LOWS (111).
BRITISH FUNDS (57) INT.BANK & O'SEAS GOVT. STLG. ISSUES (1) AMERICANS (1) BUILDINGS (2) CHEMICALS (1) STORES (4) ELECTRICALS (5) ENGINEERING (1) FOODS (2) INDUSTRIALS (12) Baird (Wm.), Bestwood, Bridport-G., Charterhall, Co of Designers, Elsco, Forwell, Grampian, Hampson 8.5pc (Net) Prf. 91/03, Lynx, TLS Range, URS Int'l., LEISURE (1) MOTORS (2) PAPERS (8) PROPERTY (3) SOUTH AFRICANS (1) TEXTILES (1) MINES (2) THIRD MARKET (4).

APPOINTMENTS

Managing director of Martins

■ Mr Robert Leak has been appointed managing director of MARTIN RETAIL GROUP, a 900-branch retail chain. He was finance director, and succeeds Mr Brian Baylis who has resigned.

■ Mr Robert Coates has been appointed group marketing director of NEWSPACE GROUP. He was director of Enterprise Management Consultants.

■ HINTON HILL GROUP has appointed Mr Michael M.J. Ovens as managing director of Hinton Hill North America.

■ Mr Nicholas A.D. Johnson has been appointed a director of DRAYTON FAR EASTERN TRUST. He is chief executive of MIM Britannia, managing director of MIM, and a director of Britannia Blue Arrow Holdings.

■ Mr Josh Cooper has been appointed marketing and development director of CIBC MORTGAGES, a subsidiary of the Canadian Imperial Bank of Commerce.

■ Mr John Shaw, technical director of EAST KILBRIDE DEVELOPMENT CORPORATION, becomes managing director on January 1 when Mr George B. Young retires.

■ NORWICH UNION has promoted Mr Nick Price from estates manager (finance) to senior estates manager.

■ SOVEREIGN MORTGAGE ASSETS has appointed Mr Philip Chappell as chairman. Mr Peter M.N. Jennings becomes a director. He is executive vice president of Interallianzbank Zurich, and managing director of its affiliate Interallianz London.

■ LLOYDS BANK has appointed Mr David Wydenbach to the new post of assistant general manager, money transmission, UK retail banking. He was chief manager, payment systems development.

■ Mr Gilbert Ohayon has been appointed marketing director, international repertoire continental Europe, EMI MUSIC's international marketing division. He was vice president, CBS/Fox's southern Europe operations.

■ Mr Ian Martin has been appointed finance director of CELLUWARE, Consett. He was financial director of Blayneys, part of Vaux Group.

■ Mr David Holborow has been appointed personnel director of STANTON. He joins from CompAir BroomWade where he was personnel director.

■ Mr Lewis McGibbon has been appointed a non-executive director of CHURCH & CO.

■ Mr David Cutler has been appointed finance director of RELIANT GROUP from January 1. He joins from Charterhall where he was executive director accounting.

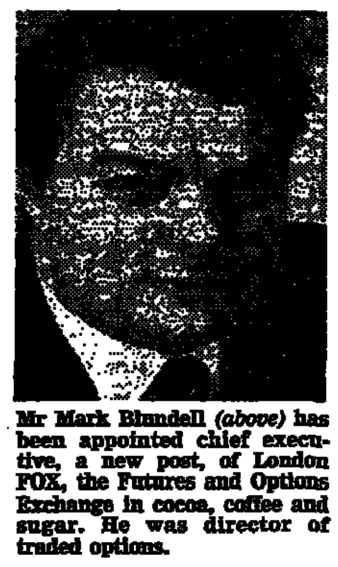
■ QUAYLE MUNRO, Edinburgh, has appointed as a non-executive director Mr David L. Skinner, chairman of Martin Currie. Mr Ian M. Robertson, banking director of subsidiary McNeill Pearson, joins the main board as an executive director. Mr Herman A. Mustard, formerly a divisional general manager, Bank of Scotland branch administration, is joining McNeill Pearson as an executive director.

■ Mr Richard Holt, MP, succeeds Dr John Adsetts as a non-executive director on the board of MTM from January 1.

■ CLYDESDALE BANK has appointed Mr Kenneth A. Pipe as manager, treasury, London office. He was group funds manager, National Australia Bank's London office.

■ BROWN SHIPLEY ASSET MANAGEMENT has appointed Mr John Hawker as a senior fund manager, pension funds.

■ Mr Frank B. Saundry has been appointed personnel director of BRITISH AEROSPACE, succeeding Mr D.E. Bucknall who becomes chairman of British Aerospace Enterprises. Mr Saundry was personnel director of the Rover Group.



Mr Mark Blundell *(above)* has been appointed chief executive, a new post, of London FOX, the Futures and Options Exchange in cocoa, coffee and sugar. He was director of traded options.

■ ARBUTHNOT CORPORATE FINANCE has appointed Mr Mark O'Hanlon and Mr Max Dyer-Bartlett as directors. Mr O'Hanlon was a director of British & Commonwealth Ventures, and Mr Dyer-Bartlett was at Deloitte's Corporate Finance.

■ Mr Steven Partridge has been appointed director and general manager of VARICOL, part of the Kleeman Plastics Group, and Mr Ken Westwood becomes works director.

■ Mr Charles Verrall has been appointed finance director of TERN.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
High Income						
American Income	6	56.21	56.71	60.33	+0.37	4.54
Gilts & Fixed Int	6	106.0	106.0xd	112.4	-0.1	8.90
High Inc Equity	6	134.2	134.2	143.6	+0.9	4.42
Worldwide Bond	6	208.9	208.9xd	221.3	+0.5	4.79
Capital Growth						
American Growth	6	208.4	210.3	223.8	+2.3	0.85
Asian Pacific	6	120.1	122.3xd	130.2	+0.8	1.00
Assets & Earnings	6	155.8	155.8xd	166.7	+0.7	2.22
Capital Reserve Acc	0	87.86	87.86	87.92	+0.02	4.55
Capital Reserve Inc	0	77.99	77.99	78.04	+0.02	5.13
Country & Energy	6	118.8	121.3	129.1	+0.2	1.47
Dividend & Growth	6	47.00	47.00	50.00	.....	4.50
1992 Enterprise	6	62.03	63.35	67.40	+0.89	1.90
Euro Capital Acc	6	101.2	101.9	108.5	+1.1	0.69
Euro Capital Inc	6	97.58	98.32	104.6	+1.1	0.72
General	6	178.7	178.7	191.2	+0.8	2.62
International	6	60.71	61.30	65.22	+0.44	0.77
Japan	6	130.4	132.8	141.3	+0.6	0.00
Mastertrust	6	94.43	94.43	101.0	+0.6	1.68
UK Growth Acc	6	177.9	177.9	190.3	+1.4	1.47
UK Growth Dist	6	117.5	117.5	125.7	+0.9	2.23
US Emerging Cos	6	55.11	56.63	60.25	-0.33	0.00
Income & Growth	6	303.5	310.7xd	330.6	+2.3	3.10
Ethical	6	46.89	46.89	50.15	+0.06	1.99

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Amer Inc & Growth	5¼	34.41	34.41	36.73	+0.15	2.98
European	5¼	77.36	77.52	82.76	+0.81	0.00
European Income	5¼	74.80	74.80xd	79.85	+0.65	2.17
Exempt	1	775.2	775.2	806.2	+5.10	1.49
Extra Income	5¼	43.20	43.20xd	46.12	-0.34	4.34
F East Emrg Econs	5¼	63.52	63.90	68.44	-0.28	0.12
Food Inv Tst	5	131.0	134.6	143.7	+1.30	1.71
Do Accum	5	205.4	211.0	225.3	+2.00	1.72
Gilt & Fixed Int	5¼	19.73	20.53xd	21.91	-0.00	11.10
Income & Growth	5¼	71.59	71.59	76.43	+0.27	3.68
Intl Income	5¼	68.84	68.84xd	73.49	+0.44	4.41
Japan	5¼	228.5	228.5	243.9	+1.30	0.00
Pacific (10-1)	5¼	46.61	46.66	49.97	-0.01	0.09
Secure Income	5	196.3	196.3	209.5	+1.20	5.62

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set, unless another time is indicated by the symbol alongside the individual unit trust listing. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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Wardley Unit Tst Mngrs Ltd

Waverley Unit Tst Mngmt Ltd

Wellington Fund Mngrs Ltd

Whittingdale Unit Tst Mngt Ltd

Windsor Trust Mngrs Ltd

Wright Seligman Fund Mngrs Ltd

The Yorkshire Unit Tst Mngrs Ltd

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

CAFINVEST—Charities Aid Foundation

Charities Official Invest. Funds

Edinburgh Fund Mngrs PLC

Foreign & Colonial Fund Mngt Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd

M & G Securities Ltd

Murray Johnstone UT Mngmt

New Court Property Fund Managers Ltd

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Tuscan Unit Managers Ltd

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Abtrust Management Ltd

AEtna Life Insurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

American Life Insurance Co UK

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd

Citicorp British National

City of Edinburgh Life Assurance

City of Westminster Assurance

Clerical Medical/Friendly International

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Insurance Co of America

Commercial Union Group

Cornhill Insurance PLC

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance Plc

Devonshire Life

Eagle Star Insurance Co Ltd

Eagle Star Insur./Midland Assur.

Economic Insurance Company Ltd

Equitable Life Assurance Society

Equity & Law

FS Assurance Limited

Family Assurance Society

Friends' Provident

GT Managed Funds Ltd

General Accident Linked Life Assce

General Portfolio Life Insce Plc

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

The LAS Group

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

MGM Assurance

MLA

Manchester Unity Assurance

Manulife Group PLC

Merchant Investors Assurance Co Ltd

Mercury Life Assurance Co Ltd

Midland Life Limited

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Life Assurance Ltd

National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	123 0	130 0	....	–
Building Soc. Fd	177 0	187 0	....	–
Balanced	285 0	300 0	....	–
European	201.0	212 0	+1.6	–
GT Managed	188.0	198 0	+1 0	–
Gartmore Mngd.	130 0	137 0		–
German	162.0	171.0	+2.0	–
Gilt	172 0	182 0	...	–
Global	49 0	52 0	....	–
High Inc	106.0	112 0	....	–
International Equity	202.0	213 0	+1 0	–
Japan	294 0	310 0	+1.0	–
Managed	57 0	60 0	–2.0	–
Property	309 0	326 0	–6.0	–
R W Imperial Gold	148.0	156 0	....	–
UK Equity	316 0	333 0	+1 0	–
Pension Funds				
American	153 0	162 0	....	–
Building Soc. Fd	181 0	191 0	....	–
Balanced	222.0	234 0	....	–
European	198.0	209 0	....	–
German	139 0	147.0	...	–
Gilt	153.0	162.0	.....	–
International Equity	144 0	152 0	....	–
Japan	147 0	155 0	....	–
Managed	64 0	68 0	....	–
Property	238.0	251 0	....	–
UK Equity	303 0	319 0	+1.0	–
Professional Life Assurance Co Ltd				
Frobisher Hse, Nelson Gate, Southampton 0703 232323				
Pensions Managed Fund	95.59	101.04	..	–
Pensions Cash Fund	82.29	86 62	..	–
Prolific Life & Pensions Ltd				
Stramongate Kendall, Cumbria LA9 4BE 0539 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Grth Mngd	614 0	647 0	+2 0	–
Adventurous Mngd	135 2	142.5	+0 3	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Holborn Pensions Ltd—Contd.				
Index Linked Gilt	202 8	213.5	+0.1	–
Guaranteed	13 93		...	–
International Money	213.2	224 1	–0 1	–
North American	83 1	87.5	+0.3	–
Japanese	170 8	179.8	–0.8	–
European	112.4	118.4	+1.6	–
Special Situations	110 6	116.5	+1 4	–
Communications	102 6	108.1	+0.2	–
Smaller Companies	109.3	115 1	+1.2	–
International Small Cos.	144 8	152.5	+1.0	–
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 01-548 3281				
Discretionary Nov 29	£162.73	167.83	....	–
Equity Nov 29	£170 95	177 11	....	–
International Nov 29	£29.86	30.52	....	–
Intl Bond Nov 29	£13.08	13.25	....	–
Fixed Int Nov 29	£74 07	74 89	....	–
Index Linked Nov 29	£62.96	63.75	....	–
Property Nov 29	£116.58	123.50	....	–
Cash Nov 29	£22.2297	22.2297	....	–
Pru-Linked Retirement Plan				
Managed Nov 28	388.9	409.2	....	–
Cash Nov 28	208.4	217.1	....	–
Prudential Pensions Investment Account				
Pens Mngd Dec 4	159.1	171.1	+2.5	–
Pens UK Eq Dec 4	292.1	314.6	+7.1	–
Pens Intl Dec 4	207.0	222.9	+0.5	–
Pens Fixed Dec 4	169 1	178 6	–0.2	–
Pens Index Lk Dec 4	162.9	172.2	+0.2	–
Pens Cash Dec 4	136 0	143.2	.. ..	–
Regency Life Assurance Co Ltd				
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800				
Aggressive Ptflo Fd	120.8	127 1	+0 6	–
Balanced Ptflo Fd	315 6	332.2	+1.6	–
Cautious Ptflo Fd	123.9	130.4	+0.3	–
Elite Fund	108 0	113 6	+0 8	–
European Fund	97.2	102.3	+0 8	–
Far East Fund	116 5	122.6	+0.2	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Scottish Equitable Life Assce. Soc.—Contd.

Scottish Life Investments

19 St Andrew Square, Edinburgh

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd—Contd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co Ltd—Contd.

Tyndall Assurance/Pensions

UK Life Assurance Co Ltd

University Life Assurance Society

Windsor Life Assur. Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

MANAGEMENT SERVICES

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FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	1989 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
134	124	Treas 2pc IL '90(84.6)	134	+¼	2.09	9.98
99⅞	98⅜	Exch 11pc 1990‡‡	99⅛	.....	11.09	14.67
101⅛	99⅛	Exch. 12½pc 1990	99⅜	.....	12.58	14.642
96¼	91⅛	Treas. 3pc 1990	96¼	.....	3.12	12.19
97¼	95⅛	Treas 8¼pc 1987-90‡‡	97⅛	.....	8.49	14.05
98⅞	95¼	Treas. 8pc Cv 1990 ‡‡	96½	.....	8.29	14.13
98⅞	96⅛	Treas. 10pcCv 1990	96⅞	.....	10.33	13.91
93⅞	87⅞	Exch 2½pc 1990	92⅛	.....	2.70	10.86
101⅞	98⅛	Treas 11¾pc 1991	98¼	+⅛	11.96	13.57
93¼	89⅝	Funding 5¾pc '87-91‡‡	92½	.....	6.22	12.00
90⅞	86⅛	Treas. 3pc 1991	90⅛	-⅛	3.33	10.55
100⅛	95⅛	Treas 10pc Cv '91 ‡‡	95⅞	+⅛	10.44	13.00
101⅛	96⅞	Exch. 11pc 1991	97⅛	+⅛	11.32	12.73
94⅛	91⅛	Treas. 8pc 1991	91⅞	+⅛	8.70	12.64
106⅛	100⅞	Treas 12¾pc 1992‡‡	100⅞	-⅛	12.69	12.43
99½	95⅛	Treas 10pc 1992	95⅞	+⅛	10.48	12.40
94⅛	90⅞	Treas. 8pc 1992 ‡‡	91⅛	-⅛	8.77	12.39
100⅝	96⅛	Treas 10½pc Cv 1992‡‡	96⅞	+⅛	10.88	12.23
85⅝	82¼	Treas. 3pc 1992	84¼	.....	3.56	10.26
105⅞	100	Exch. 12¼pc '92	100	.....	12.26	12.24
109¾	103⅛	Exch 13½pc 1992	103⅛	-⅛	13.08	12.08
94⅞	90⅞	Treas 8¼pc 1993	90½	-⅛	9.13	11.90
100⅞	95⅛	Treas 10pc 1993‡‡	95⅞	-⅛	10.50	11.74
108¾	101⅞	Treas 12½pc 1993‡‡	101⅞	-⅛	12.27	11.82
88⅛	84⅛	Funding 6pc 1993‡‡	85½	.....	7.01	10.71
113¾	106⅞	Treas 13¾pc 1993‡‡	106⅞	-⅛	12.92	11.68
94⅛	89⅝	Treas. 8½pc 1994	89⅞	-⅛	9.47	11.65
117⅞	109⅞	Treas 14½pc 1994‡‡	109⅞	-⅛	13.19	11.47
113⅞	106⅞	Exch 13½pc 1994	106⅞	-⅛	12.70	11.62
100⅝	95	Treas. 10pc Ln. 1994‡‡	95	-⅛	10.53	11.45
110¼	103⅛	Exch. 12¼pc 1994	103⅛	-⅛	12.12	11.60
96⅞	91⅛	Treas 9pc 1994‡‡	91⅛	-⅛	9.87	11.37

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
15¼	847p	Hasbro Inc 50c	13½	+⅛	16c	–	0.7
57½	32¼	Honeywell $1½	51¼	+¼	$2.75	–	3.4
22⅝	15¼	Houston Inds.	22¼	+⅛	$2.96	–	8.4
76⅞	60⅞	IBM Corpn $1¼	62¼	−⅛	$4.84	–	4.9
60p	45p	Image Storage/R.Sys.Ic.	50p	.....	–	–	–
32⅛	18¼	Ingersoll-Rand $2	30⅛	+⅛	$1.20	–	2.5
33¼	22½	Lockheed Crpn. $1	24¼	+⅛	$1.80	–	4.6
22⅝	12⅞	Lone Star Inds $1	12⅞	−⅞	$1.90	–	9.7
27⅞	17½	Louisiana Land 15c	26¼	+½	$1.00	–	2.4
20½	11½	Lowe's 50c	19⅝	+½	48c	–	1.5
28⅛	15⅞	Manuf. Hanover $1	22¼	+⅝	$3.28	–	9.1
22⅝	13⅛	Merrill Lynch $1	17⅞	+¼	$1.00	–	3.7
24¼	19⅛	Molex Inc.	22⅛	+⅞	3.2c	–	–
30⅛	18⅛	Morgan (JP) $2½	27⅛	+⅝	$1.66	–	3.9
28⅞	24⅛	Morris (Philip)	27⅞	+⅞	$1.13	–	2.6
54⅝	36¼	NYNEX $1	54⅝	+⅛	$4.36	–	5.1
44p	16p	N'wide Legal Serv.	20p	.....	–	–	–
24⅞	18¼	PHH Corp.	23⅛	+¼	$1.16	–	3.2
259p	167p	Pacific Agr.	185p	+11	–	–	–
28½	19	Pacificorp $3¼	28½	+½	$2.76	–	5.9
30¼	16⅞	Pacific Telesis 10c	30¼	+1½	$1.88	–	3.9
22⅞	15¼	Pall Corp. 25c	22¼	+¼	48c	–	1.4
55¼	39⅞	Pennzoil 83 1/3c	52⅛	+⅛	$3.00	–	3.6
42¼	28⅛	Quaker Oats $5	39⅛	+⅛	$1.40	–	2.2
32⅛	23½	Rep NY Corpn $5	29½	+⅛	$1.28	–	2.7
16¼	11⅛	Rockwell Intl. $1	13⅛	−⅛	78c	–	3.7
29½	22	Sears, Roebuck 75c	24⅛	−⅛	$2.00	–	5.1
37½	21⅝	Southwestern Bell $1	36⅝	+⅝	$2.60	–	4.5
27⅞	17⅞	Sun Co. Inc. $1	25⅞	+⅞	$1.80	–	4.4
31¼	22⅛	TRW Inc. 62½c	29¼	+½	$1.72	–	3.7
24⅞	14⅝	TW Services $5	22⅛	.....	–	–	–
40⅞	26⅛	Tenneco $5	37⅛	−⅞	$3.04	–	5.1
35⅞	20	Texaco $6.25	35⅛	+⅞	$3.00	–	5.4
28⅛	18⅞	Texas Instr. $1	22⅞	−⅞	72c	–	2.0
117⅛	58⅝	Time Inc. $1	85¼	+⅝	$1.00	–	0.7
19⅝	13⅞	TRINOVA Corp.	14⅝	−⅞	s68c	–	2.9
26¼	16	USX $1	22⅞	+⅞	$1.40	–	4.0
321p	126p	Unilab	302p	.....	–	–	–
36⅝	22¼	Utd. Technologies	39½	+½	$1.60	–	3.0
161p	121p	Utilitech Inc.	161p	+18	–	–	–
49¼	31½	US West	46⅞	+1¼	$3.76	–	5.1
43¼	22⅝	Waste Management $1	42	+⅝	60c	–	0.9
20½	13½	Whirlpool $1	18⅞	.....	$1.10	–	3.7
24⅛	16⅞	Whitman Corp.	18⅞	−⅛	$1.02	–	3.5
46⅝	28⅛	Woolworth $3½	39⅛	+1	$1.88	–	3.0

CANADIANS

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
186p	129p	ABM Gold Corp	164p	.....	–	–	–
26p	4½p	Abbot Energy Corp.	26p	.....	–	–	–
21¼	902p	Amer. Barrick Res.	20⅞	+⅛	–	–	–
39¼p	10½p	Armeno	35p	.....	–	–	–
33¼p	8½p	Augmitto Expln.	11p	.....	–	–	–
18½	12⅞	Bk. Montreal	18¼	+⅛	$2.12	–	6.3
10¼	655p	Bk. Nova Scot.	917p	+1	92c	–	5.4
828p	599p	BC Gas $1	821p	+1	60c	–	4.0
24⅛	17	BCE	24⅛	.....	$2.44	–	5.4
17	12⅛	Brascan	15¼	+⅛	88c	–	3.1
228p	108p	Breakwater Res.	181p	+1	10c	–	3.0
18	11⅛	Can. Imp Bank	18	.....	$1.24	–	3.7
15¼	997p	Can. Pacific	13⅛	.....	76c	–	2.8
41½	37	Do. 4pc Deb £100	37⅞	.....	4%	–	10.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

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LEISURE

1989 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
170	126	Airtours 10p	150		†6.25	3.2	5.6	6.8
315	195	Anglia TV	268	+1	†7.75	3.3	3.9	10.4
*168	109	Avesco 1p	119	-1	g1.15	8.9	1.3	10.4
34	9	BCE Hldgs 5p	18		0.4	-	3.0	-
395	275	Barr & W.A.T. 'A'	275		†15.0	1.7	7.9	11.1
540	225	Boosey & Hawkes	415	-10	†10.0	2.5	3.2	16.4
60	35	Border T.V.	52		2.0	3.4	5.1	7.6
423	317	Brent Walker 10p	356	-2	†11.0	3.6	4.1	7.2
117	79	Do 6pc.Cv.Cm.Rd.Pf	97	-1	6.0	-	8.2	-
*103	80	Buckingham Int'l 10p	87	-3	-	-	-	-
344	148	Campari Int. 20p	149	-2	8.5	3.9	7.7	3.8
1135	504	Capital Radio 10p	918		18.0	♦	2.7	♦
958	662	Carlton Communcns	850	+1	†7.5	5.2	1.2	23.0
125	95	Do. 6.5p Prf.	107	-1	6.5	-	8.1	-
463	268	Castle Commns 5p	425		8.5	♦	2.7	♦
829	579	Central TV	718	+3	†25.5	2.5	4.7	10.9
248	125	Chrysalis	135		s3.43	0.1	3.4	-
146	50½	Cityvision 5p	145		†0.5	10.1	0.5	28.6
39	10	Classic Th'trads £0.28	11		-	-	-	-
392	258	Compass Group 5p	349		†7.2	2.7	2.8	17.7
*99	62½	European Leisure	74		g1.5	3.1	2.7	14.5
110	56	Ex Lands 10p	59		0.5	-	1.1	-
*117	85	Expedier Leis. 20p	89		-	-	-	30.0
675	437	Fairline Boats 10p	583	+15	18.5	♦	-	♦
248	149	First Leisure	218	+1	†2.95	3.3	1.8	22.1
755	565	GWR Group 20p	575	+10	†3.0	11.5	0.7	15.0
73	45	Grampian TVA 10p	71	+1½	†3.0	2.8	5.6	8.1
31	20	Greenwich Commn	26	+1	-	-	-	-
136	85	HTV Ord	124	-1	5.0	3.7	5.4	6.4
137	68	Hi-Tec Sports	82	+2	4.5	2.6	7.3	6.9
27½	3	Int'l Media Comm. 5p	6½	+½	-	-	-	-
255	160	Kinderia Sound 10p	183		12.7	♦	2.0	♦
68	41½	Kunick 10p	56½	-½	†1.4	2.4	3.3	15.9
138	97	Do 7p Rd. Pf.	115		7.0	-	8.1	-
237	157	LWT 5p	202	+1½	15.7	3.4	3.8	10.1
111	29	Leisure-tav 10p	29	-2½	ds1.75	1.4	8.0	(8.9)
[illegible]								

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES — Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND — Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES — Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials

[illegible]

Property

[illegible]

Oils

[illegible]

Mines

[illegible]

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

US dollar stable

The US dollar was stable on currency markets yesterday as operators marked time before the key November employment report on Friday. However, the D-mark remained firm as investors continued to believe that events unfolding in Eastern Europe will benefit the West German economy, while sterling was little changed before the ruling Conservative Party's leadership election today.

The dollar opened lower but gradually recovered as long D-mark positions were unwound. Some dealers also noted that an institution had been a large buyer of D-marks.

By the time New York opened, the dollar had re-established itself around DM1.78, and for the rest of the London's trading day the US unit remained locked in a narrow range.

News that US factory orders had fallen by 0.2 per cent in October, which were in line with market expectations, failed to generate much excitement. Analysts said the report followed other recent data that also pointed to a slowdown in the US economy. But although economic statistics have indicated a slacker pace of growth in the US, dealers do not anticipate an easing of US monetary policy before the employment figures on Friday.

Mr Christian Dunis, a Chemical Bank economist, said that until the employment data became available he expected the dollar to trade in a range of DM1.7550 to DM1.7840. "In the absence of any major news, the currency markets are likely to remain dominated by technical factors. It's possible the Fed could ease before then, but it's more likely to wait for the jobs data," he said. The market expects non-farm payroll employment in November to have risen by 150,000, compared with the 233,000 increase in October.

The dollar closed in London at DM1.7805 compared with DM1.7820 on Friday. It also finished at Y143.55 against Y143.00; at SFr1.5995 from SFr1.5925; and to FFr6.0800 from FFr6.0850. According to the Bank of England, the dollar's index was unchanged at 68.9

Apart from slipping against the strengthening D-mark, sterling was steady to slightly lower, as dealers waited for Mr John Major, the Chancellor of the Exchequer, to answer questions later in the day before the House of Commons Treasury and Civil Service Select Committee.

But of greater immediate importance is likely to be the result of the Conservative Party's leadership election, said Mr Tim Fox, Treasury economist at Midland Montagu. "If more than 40 MPs abstain or vote for Mrs Thatcher's opponent, Sir Anthony Meyer, sterling could be depressed," he said.

Sterling closed at DM2.7850 compared with DM2.7900 on Friday; and at $1.5635 from $1.5660; at Y224.50 from Y224.25; at SFr2.5025 from SFr2.4950; and FFr9.5100 from FFr9.5300. Sterling index closed 0.1 down at 86.0.

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

FINANCIAL FUTURES AND OPTIONS

[illegible]

CHICAGO

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 64,612

A=Ask B=Bid C=Call P=Put

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec	2304.0	2347.0	2296.0	2319.0
Mar	2348.0	2387.0	2345.0	2364.0
Jun	2386.0			2403.0

Estimated volume 5640 (5461)
Previous day's open int. 32036 (32077)

MONEY MARKETS

Rates steady

UK money market rates were steady despite an early fall in sterling against the D-mark. Trading was quiet as dealers waited for Mr John Major, the Chancellor of the Exchequer, to testify before the House of Commons Treasury and Civil Service Select Committee late yesterday. The key three-month interbank rate was quoted at 15¼-15⅛ per cent, unchanged from Friday's close.

Dealers said the money market's stability in the face of recent sterling weakness was due to the belief that interest rates would not raised above the current level of 15 per cent. However, traders said the sterling markets could become nervous later today, as the outcome of the Conservative Party's leadership election becomes clear.

UK clearing bank base lending rate 15 per cent from October 5

While they anticipate a clear victory for Mrs Margaret Thatcher, the Prime Minister, a larger-than-expected number of abstentions or votes for her opponent, Sir Anthony Meyer, could worry overseas investors.

The Bank of England initially forecast a flat position. This was revised to a surplus of around £150m at midday and the Bank did not operate in the morning. During the afternoon the Bank sold £167m of Treasury bills due on December 5 at 14¾-14⅞ per cent.

A take-up of Treasury bills and maturing assistance drained £823m, with Exchequer transactions a further £130m. But these factors were offset by a fall in the note circulation, which added £565m, and bank balances above target, which injected £195m.

In Frankfurt, money rates were steady as the market waited for the Bundesbank's next securities repurchase allocation. Call money rates were quoted at 7.70-7.80 per cent, unchanged from Friday's close.

Dealers said they expected the Bundesbank to set a fixed-rate tender this week, which should keep rates stable and prevent them approaching the 8 per cent Lombard funding rate.

In New York, the Federal Reserve added temporary liquidity to the banking system through $1.5bn of customer repurchase agreements. The Fed's injection of liquidity was made in response to technical needs for reserves. Federal funds were trading at 8½ per cent at the time of the operation, compared with Friday's close of 8¾ per cent.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

BASE LENDING RATES

	%		%		%
ABN Bank	15	Clydesdale Bank	15	NatWestminster	15
Adam & Company	15	Comm.Bk.N.East	15	Northern Bank Ltd	15
Allied Trust Bank	15	Co-operative Bank	*15	Norwich Gen. Trust	15
Allied Irish Bank	15	Coutts & Co	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Cyprus Popular Bk	15	Provincial Bank PLC	16
Associates Cap Corp	14	Dunbar Bank PLC	15	R. Raphael & Sons	15
Authority Bank	15	Duncan Lawrie	15	Roxburghe G'rantee	15½
● B & C Merchant Bank	15	Equatorial Bank plc	15	Royal Bk of Scotland	15
Bank of Baroda	15	Exeter Trust Ltd	15½	Royal Trust Bank	15
Banco Bilbao Vizcaya	15	Financial & Gen. Bank	15	● Smith & Williamson Secs.	15
Bank Hapoalim	15	First National Bank Plc.	16	Standard Chartered	15
Bank Credit & Comm	15	● Robert Fleming & Co.	15	TSB	15
Bank of Cyprus	15	Robert Fraser & Ptnrs.	15½	United Bk of Kuwait	15
Bank of Ireland	15	Girobank	15	United Mizrahi Bank	15
Bank of India	15	● Guinness Mahon	15	Unity Trust Bank Plc	15
Bank of Scotland	15	HFC Bank plc	15	Western Trust	15
Banque Belge Ltd	15	● Hambros Bank	15	Westpac Bank Corp.	15
Barclays Bank	15	Hampshire Trust Plc	15½	Whiteaway Laidlaw	15
Benchmark Bank PLC	15	Heritable & Gen Inv Bnk.	15	Yorkshire Bank	15
Brit Bk of Mid East	15	● Hill Samuel	§15		
● Brown Shipley	15	C. Hoare & Co.	15		
Business Mtge Bank PLC	15½	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
		Midland Bank	15		
		Mount Banking	15		
		Nat Bk. of Kuwait	15		

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LEGAL NOTICES

INSOLVENCY ACT 1986
DURRANT DEVELOPMENTS (SPAIN) LIMITED IN ADMINISTRATION
SYNDICATED OWNERSHIP LIMITED IN ADMINISTRATION
SWANAGE PIER COMPANY LIMITED IN ADMINISTRATION
DURRANT DEVELOPMENTS LIMITED IN ADMINISTRATION
ADMINISTRATION ORDERS MADE ON 29 SEPTEMBER 1989
NOTICE OF MEETING OF CREDITORS TO BE HELD FOR THE PURPOSES OF SECTION 24 INSOLVENCY ACT 1986

Notice is hereby given that meetings of creditors in the above matters is to be held at the Wessex Hotel, West Cliff Road, Bournemouth, Dorset, on the 20th day of December at 10.00am, 10.30am, 11.00am and 11.30am respectively to consider the proposals of the administrator made in accordance with section 23(1) of the Insolvency Act 1986 and to consider establishing a committee of creditors.

For the purpose of voting a statement of claim and any proxy intended for use at the meeting must be lodged with me at Scottish Life House, 14 New Road, Southampton, Hampshire, SO9 1ZG. Any proxy must be lodged prior to the meetings and the statement of claim must be lodged no later than 12 noon on the 19th day of December 1989.

Dated this 30th day of November 1989
Adrian R Stanway
Administrator

COMPUTERWAY LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at Cork Gully, 9 Greyfriars Road, Reading RG1 1JG at 2.00 pm on 12 December 1989 for the purpose of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committee by or under the Act.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(a) they have delivered to us at the address shown below, no later than 1200 hours on 11 December 1989, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his behalf.

Date 23 November 1989

N J Vooght
Joint Administrative Receiver

TRIDON SERFLEX LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at Cork Gully, 9 Greyfriars Road, Reading RG1 1JG at 2.00pm on 15 December 1989 for the purpose of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(a) they have delivered to us at the address shown below, no later than 1200 hours on 14 December 1989, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

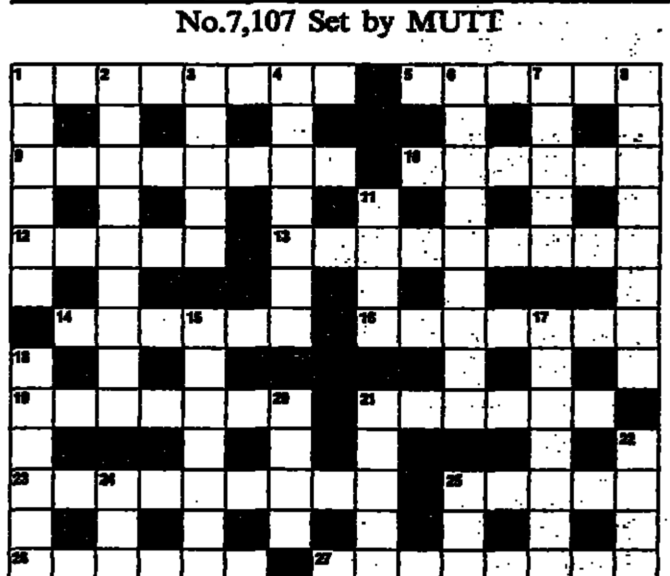
(b) there has been lodged with us any proxy which the creditor intends to be used on his behalf.

Date: 28 November 1989
N.J. Vooght
Joint Administrative Receiver

JOTTER PAD

CROSSWORD

No.7,107 Set by MUTT



ACROSS

1 Empty sky, river or oriental tree (8)
5 A matter of business or of the heart? (6)
9 Use brain in order to develop (8)
10 Dormant snake without shelter (6)
12 The sound of country lamentations (5)
13 Facing the facts, it's clear I must improve (9)
14 Fool! – he has to dress (6)
16 Here to make an offer (7)
19 Doctor, a non-drinker, was the first to get blotchy (7)
21 The man has only this moment got home (6)
23 As to the manner born, of course (9)
25 Time to take bearings and strike out (5)
26 Marsh out: King batting. Ho-hum (6)
27 Best man? – 'e wound up in the cellar (8)
28 Girl is French – that girl? (6)
29 Outlined layout of the decks (8)

DOWN

1 Cry of complaint, perhaps, as Indian woman meets king (6)
2 Boiler explosion – puss found outside in old carriage (9)
3 Lots of money in coins (5)
4 Keep to dish up again (7)
6 Dubious quality of the angler's yarn? (9)
7 A small section completely skilled (5)
8 Greed shown by artist: shame about the bill (9)
11 Music maker, unable to start, pointed (4)
15 Indulgence has Leo wandering in a daze (9)
17 Moved by zeal, he bit her! (9)
18 In a "why not" mood? (8)
20 Stupid fellow should be told off (4)
21 Yawl Jake (nearly) scuppered, as a careless crosser might (3-4)
22 Waves to the man sitting down (6)
24 Cards for Jack, perhaps, and a book (5)
25 Strain as old actor rises to receive a kiss (5)

Solution to Puzzle No.7,106

REPAYS DISCIPLE
A O I R O L S
NURSES MOONDUST
S C L O N I T A
AQUEDUCT EFFORT
C P S T M E E
KRIS TAKEORDERS
N C G A S P
SPELLBOUND CHAR
E O N D A E I
ADJOIN FERRYMAN
L I S A R M E G
OFFSTAGE HAIRDO
A E E R S I I
DAYBREAK MALLET

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | ITALY (continued) | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | HONG KONG | AUSTRALIA | AUSTRALIA (continued) | SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

2pm prices December 4

Quotations in cents unless marked $.

[illegible]

1 — No voting rights or restricted voting rights.

INDICES

NEW YORK

DOW JONES	Dec. 1	Nov. 30	Nov. 29	Nov. 28	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2747.65	2706.27	2688.78	2702.01	2791.41 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	93.49	93.51	93.58	93.53	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1202.35	1170.70	1167.50	1177.28	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	227.80	224.91	223.09	223.03	227.80 (1/12)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2763.87 (2718.22) Low 2705.42 (2681.95)

STANDARD AND POOR'S	Dec. 1	Nov. 30	Nov. 29	Nov. 28	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	350.63	345.99	343.60	345.77	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	400.67	395.51	392.67	395.27	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	32.74	32.40	32.44	32.79	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	193.66	191.30	190.25	191.34	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	375.58	373.84	373.64	375.10	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	457.10	456.09	455.81	456.66	485.75 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Nov 24	Nov 17	Nov 10	year ago (approx.)
Dow Industrial Div. Yield	3.97	3.93	3.94	3.82

	Nov 29	Nov 22	Nov 15	year ago (approx.)
S & P Industrial div. yield	2.96	2.98	2.98	3.21
S & P Indl. P/E ratio	14.59	14.51	14.40	12.64

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Navistar Intl	7,843,900	4	—
Bowater Inc	4,962,600	28	—
Philip Morris	3,224,100	42⅞	+ ⅛
Chevron	2,964,500	70¼	+ 1¼
Gen Electric	2,268,200	63¼	+ 1¼
BankAmerica	2,145,000	26⅞	+ ½
Am T & T	1,842,600	44⅞	+ ⅛
Exxon	1,661,900	48⅞	+ 1⅛
Texaco	1,622,800	55½	+ 1⅛
Syntex	1,614,500	51	+ 1⅛

TRADING ACTIVITY

† Volume Millions	Dec 1	Nov 30	Nov 29
New York	199.200	153.200	147.270
Amex	13.108	12.894	11.562
NASDAQ	138.467	129.597	122.008
Issues Traded	1,979	1,967	1,954
Rises	1,004	832	578
Falls	510	622	897
Unchanged	465	513	479
New Highs	103	59	48
New Lows	38	49	43

CANADA

TORONTO	Dec 1	Nov 30	Nov 29	Nov 28	1989 HIGH	1989 LOW
Metals & Minerals	3357.11	3353.24	3362.41	3346.85	3919.2 (1/9)	3207.5 (3/1)
Composite	3958.65	3942.77	3946.65	3926.79	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	2012.59	1999.76	1997.39	1992.66	2069.68 (10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec. 4	Dec. 1	Nov. 30	Nov. 29	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1646.4	1624.7	1611.6	1607.5	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	820.7	814.1	804.8	807.2	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	426.20	416.37	415.36	414.99	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6560.18	6551.89	6528.76	6562.73	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	358.94	357.07	352.64	354.12	359.26 (24/11)	275.49 (27/2)
FINLAND						
Unitas General (1975)	626.6	616.4	603.3	600.3	815.8 (18/4)	580.8 (23/11)
FRANCE						
CAC General (31/12/82)	540.3	531.2	525.2	523.6	561.6 (11/10)	417.9 (4/1)
Ind. Tendance(30/12/88)	124.5	122.8	121.0	120.6	128.1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	689.55	677.24	659.01	663.61	690.91 (10/10)	535.78 (27/2)
Commerzbank (1/12/53)	2034.9	1996.6	1941.9	1953.6	2056.8 (10/10)	1595.7 (27/2)
DAX (30/12/87)	1634.31	1612.44	1577.43	1562.27	1658.12 (11/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2767.46	2756.90	2748.35	2751.48	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1712.58	1708.95	1700.38	1700.40	1848.93 (30/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	670.21	667.27	664.91	668.32	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	37303.87	37132.68	37268.79	37021.46	37303.87 (4/12)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2837.73	2819.63	2829.54	2815.98	2837.73 (4/12)	2366.91 (6/1)
2nd Section (4/1/68)	3731.32	3714.33	3709.21	3693.81	3804.11 (9/10)	2774.38 (27/3)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	262.3	259.3	256.9	255.1	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	201.4	199.1	197.2	195.9	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	628.93	623.27	622.16	618.59	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	(c)	(c)	(c)	1317.86	1396.26 (20/11)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1426.13	1408.51	1411.28	1410.13	1431.85 (12/10)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	2132.0‡	2120.0	2029.0	2031.0	2149.0 (24/11)	1291.0 (15/2)
JSE Industrial (28/9/78)	2608.0‡	2594.0	2569.0	2558.0	2638.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	891.13	898.77	906.33	898.00	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	305.00	303.77	303.60	304.56	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	3962.8	3999.6	4033.4	4008.4	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	772.5	770.7	765.2	759.9	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	8665.85	8951.28	9402.56	9630.28	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	778.28	769.14	769.83	771.92	792.20 (21/11)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	552.5	550.5	546.6	552.5 (1/12)	487.6 (13/6)

**Saturday Dec. 2: Taiwan Weighted Price: (c) Korea Comp Ex. 896.34.
‡ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday December 4 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Metal	65.7m	895	+17	NKK	20.9m	842	+10
Mitsui Fd Est	35.6m	3,380	+150	IHI	20.8m	842	+10
Marubeni	34.3m	1,050	+20	Mitsui & Co	19.6m	1,290	+10
Nippon Steel	28.9m	832	+7	Nissho Iwai	19.3m	1,060	+40
Toshiba	20.9m	1,320	+40	Kobe Steel	18.7m	830	+5

3pm prices December 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
37½	22¼	AAR	.48	1.3	23	62	37⅛	36⅝	36⅞	+ ⅛
9⅜	8⅜	ACM n	1.01	11.		69	9½	9⅜	9⅜	– ⅛
11⅝	10⅛	ACMIn	1.26	11.		497	11⅜	11¼	11¼	– ⅛
10⅛	8	ACM M	n1.01	11.		122	9	8⅞	9	+ ⅛
11½	10	ACM Sc	1.26	11.		789	11⅜	11⅜	11⅜	
9⅝	8⅜	ACMSp	1.01	11.		z368	9⅜	9¼	9⅜	+ ⅛
18	11½	AL Lab	.12	.7	17	14	16⅝	16⅜	16⅝	+ ¼
4⅜	3⅛	AMCA	.12e	3.6	23	10	3⅜	3⅜	3⅜	
6⅜	4½	AM Ind			10	1029	4⅝	4½	4½	– ⅛
23½	19	AM In pf	2	10.		32	19⅜	19	19⅛	– ⅛
107¼	51½	AMR			8	5254	67⅞	66⅜	67	+1½
6½	3⅜	ARX				52	3⅞	3⅜	3⅜	
57½	37⅞	ASA	3a	5.6		1672	56⅜	53⅝	53⅝	–3⅛
30¼	15½	AVX	.24	.8	29	4378	u30⅞	29¾	30	+ ⅛
70⅛	46	AbtLab	1.40	2.0	19	1974	69⅞	68½	68⅞	– ¼
16¼	12¼	Abitibi g	1			12	12⅜	12⅜	12⅜	
13	7⅞	AcmeC	.40	4.2	12	15	9⅝	9½	9½	– ⅛
9¼	5⅝	AcmeE	.32	3.6	11	1	8⅞	8⅞	8⅞	
36½	22	Acuson			23	1087	34⅝	34¼	34¼	– ⅜
15⅝	12⅞	AdaEx	2.06e	13.		130	u15⅝	15½	15⅝	+ ⅛
12⅝	6⅜	Adobe				232	12¼	11⅞	12	
21⅝	18⅞	Adob pf	2.40	11.		5	21	21	21	– ⅛
10½	7⅛	AMD				557	7⅝	7½	7⅝	
35	28½	AMD pf	3	9.9		4	30¼	30¼	30¼	
10⅛	6⅝	Advest	.16	1.8	13	6	9	9	9	
62½	46	AetnLf	2.76	4.5	10	1786	61⅝	61⅛	61⅝	+ ⅛
14	11⅛	AflIPb	.24	2.0		1104	12⅜	12⅛	12⅛	– ⅛
25	15⅜	Ahmans	.88	4.7	10	1893	19⅛	18⅞	18⅞	– ⅛
3⅞	2⅛	Aileen				18	2⅞	2⅞	2⅞	
48⅜	39⅞	AirPrd	1.52	2.9	11	880	45⅞	45⅝	45⅝	+ ⅛
39⅝	18½	AirbFrt	.60	1.6	19	45	38	37⅞	37⅞	– ¼
25⅛	14½	Airgas			13	362	22	21⅞	21⅞	+ ½

Continued on Page 45

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19⅞	13⅝	QuakSC	.80	5.2	26	251	15⅞	15½	15½	
19	12½	Quanex	.32	2.3	6	716	14⅛	13⅞	14	
31¼	25	Quanx pf2.28		8.9		80	25⅝	25½	25½	− ⅛
39½	30⅛	Quantm	.3e	9.0	3	1429	34⅛	33½	33½	− ⅝
13¼	10⅛	QstVl	1.20e	9.1		234	13⅛	12⅞	13⅛	− ⅛
14	3¼	QstVC				686	12⅞	12⅝	12¾	
39½	31½	Questar	1.92	5.0	16	337	38⅞	38⅝	38⅞	+ ¼
18⅛	10¼	QkReily	.24	1.8	13	20	14⅞	14⅝	14⅝	− ⅛
		− R−R−R −								
12	9⅞	RAC In	n1.20	11.		316	10½	10⅜	10½	+ ⅛
6⅞	1⅝	RAC	.60e	25.		467	2½	2¼	2⅜	
10½	7⅞	RLC	.20b	2.4	9	385	8⅝	8½	8½	− ⅛
9½	6⅞	RLI Cp	.40	4.4	8	27	9⅛	9	9⅛	− ⅛
19¾	12⅛	ROC Fd				614	12½	12⅜	12¾	− ⅛
8¼	5¼	RPC			.15	3	5⅝	5⅝	5⅝	
7½	5⅛	RPS n	.57e	10.		188	5⅞	5⅝	5⅝	
65¾	29½	Racal	1.21e	2.0	59	368	62	61½	62	+ ½
5⅞	2⅛	Radice n				24	2⅝	2½	2⅝	− ⅛
101½	77	RalsPur	1.85	2.0	13	827	83¼	82⅞	83¼	+ ½
15⅞	8⅝	Ramad				1747	9¼	9	9	− ¼
6⅞	4⅞	RangrO			28	236	5⅞	5¾	5⅞	
39¾	30¼	Raycm	.32	1.0	31	617	31⅝	31¼	31½	− ⅛
19⅛	9⅞	RJamF	.20	1.2	7	25	16⅞	16¼	16⅞	
21	19	Rayonr	2.80	14.	5	84	20⅛	19⅝	19⅝	− ⅛
3¼	½	vjRaytc				16	1⅞	1⅝	1⅞	− ⅛
86	64⅞	Raythn	2.20	3.3	8	2029	66¼	65	65¾	− ⅛
3⅛	15-16	RdgB n				643	3⅛	2⅞	3	+ ⅛
17	16	REIT	1.36	8.6	11	77	16	15⅞	16	+ ⅛
16⅛	13½	RltRef	1.72	11.	9	11	15¼	14¾	15¼	+ ½
12⅞	5½	RecnEq				318	7	6⅞	6⅞	+ ⅛
18½	9½	Reebok	.30	1.7	14	2861	17⅞	17⅜	17⅞	+ ⅛
16	10⅞	Reece	.15e	1.4	55	28	11	10⅞	11	
½	7-64	Regal				103	¼	3-16	3-16	

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
44¾	23¾	XTRA	.72	2.7	8	220	27⅛	26½	27	+ ½
33	21¾	XTRA pf1.94		8.3		82	23⅛	23	23⅛	
4⅞	2	Zapata				1589	3⅛	3	3⅛	+ ⅛
13¼	8¼	Zemex	.20	2.4		28	8⅝	d 8½	8½	− ¼
21½	11½	ZenithE				1288	13	12½	12¾	+ ⅜
2½	7-32	vjZenLb				550	9-32	7-32	7-32	
21½	15⅜	ZeoNtl	.84	4.4	9	79	19⅛	19	19	+ ⅛
10	6⅞	Zenix	1.20	16.		83	7⅞	7½	7⅝	− ⅛
19½	12¾	Zero s	.40	2.7	14	162	14⅞	14⅝	14⅞	+ ⅛
44⅛	25¾	Zurn	.76	2.0	18	146	38⅝	38¼	38¼	− ⅜
12⅞	10	Zweig	1.12e	9.2		371	12⅜	12⅛	12⅛	− ¼
9⅞	8¾	ZweigTl	.86	9.6		1283	9⅞	9¾	9¾	− ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices December 4

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Prism		15	155	u 4	3½	4	+ ⅝
ProMed	.42	13	9	5⅛	5⅛	5⅛	
ProfCre		14	17	6¾	6½	6¾	+ ¼
− R−R −							

NASDAQ NATIONAL MARKET

3pm prices December 4

Stock	Div.	Sales 100s	High	Low	Last	Chng
Wyman	.80	188	14½	14⅛	14⅛	− ⅛
− X−Y−Z −						
XL Dta s		7 7111	13¼	d 9	9½	−3⅜
XOMA		169	21⅛	20⅜	21⅛	
Xicor		8 699	3⅞	3⅜	3⅞	+ ⅛
YanEnS	.76e	x53	22	21½	22	
YelowF	.76	12 728	26⅜	26¼	26⅜	− ⅛
YorkFs		433	7½	7⅛	7⅛	
ZionUt	1.44	200	29½	29½	29½	+ ½

AMERICA

Dow defies doubts to make gains

Wall Street

THE new-found optimism in the stock market remained in place yesterday despite more data pointing to weakness in the economy, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was quoted 6.83 points higher at 2,754.48 on moderately active volume of 92m shares. Yesterday's modest midsession gains built on last week's substantial rally and Friday's gain of 41.38 points to 2,747.65, the blue chip index's highest close since the mini-crash of October 13.

Gains were somewhat selective, however. While the Standard & Poor's 500 index and the Nasdaq Composite were both marginally higher at midsession, the American Stock Exchange index was quoted 1.36 point lower at 374.22.

The stock market appears to have shed its concern about the effect of a slowing economy on corporate profits and chosen instead to concentrate on prospects of lower interest rates as dealers and investors bet that the US Federal Reserve will ease monetary policy to offset economic weakness.

This optimism on interest rates is somewhat surprising, given the Fed's policy signals to the markets over the past fortnight.

When Wall Street became convinced on November 22 that the Fed had eased to a 8¼ per cent Fed Funds rate to 8½ per cent, the Fed moved aggressively to dispel this notion and, in doing so, emphasised its caution about lower rates.

This caution comes at a time when all recent indicators have pointed to more economic weakness.

In October, leading indicators dropped 0.4 per cent, US purchasing managers reported more sluggishness in the manufacturing sector in November and yesterday there was a report of a 0.5 per cent drop in the sale of single family homes in October, despite the theoretically helpful effect of lower interest rates.

Some analysts have cited the summit between President Bush and President Gorbachev as a positive factor for US stocks.

The key to the near-term performance of both stock and bond markets is likely to be Friday's November employment report. If this shows more weakness in the jobs market and the Fed does not move swiftly to signal lower interest rates, some of the recent enthusiasm for stocks may diminish.

UAL, the holding company for United Airlines, was back in the spotlight yesterday, rising $6½ to $180¼ at midsession. UAL told employees that executives were working on a revised proposal for an employee-led buy-out of the airline and planned to open talks with unions shortly.

AMR, parent company of American Airlines, added $1½ to $67 on unsubstantiated rumours that Mr Donald Trump, the New York real estate developer, was building a stake in the company.

Canada

IN light trading, Toronto stocks declined on interest rates worries. The composite index fell 11.9 to 3,946.8, with 11m shares changing hands. Declines outnumbered advances 284 to 162.

Gold shares continued to fall after London bullion prices slipped following the Malta summit. The gold index declined 289.33 to 7,182.33.

EUROPE

Busy Frankfurt maintains course

THERE were solid gains almost across the board, with West Germany again taking the lead, *writes Our Markets Staff.*

FRANKFURT extended its rally to a fourth straight day in turnover of DM8.8bn, down from over DM10bn last Friday but still at an extraordinarily high level. The strength of the D-Mark and prospects in Europe brought in heavy foreign buying, and high-profile blue chips gained accordingly.

Deutsche Bank, which postponed indefinitely a press conference planned for tomorrow following last week's murder of its chief executive, Mr Alfred Herrhausen, headed the active stocks list in turnover of DM1bn with its shares up DM7 to DM730. It was followed by Mannesmann, up another DM11 to DM328.50 on its cellular telephone prospects, and Siemens DM8 higher at DM656 and a popular brokers' choice for the Christmas buying rush.

The DAX index rose 21.87 to 1,634.31 after a 12.31 rise to 689.55 in the FAZ at mid-session. Other blue chip favourites included Daimler-Benz and MAN, up DM26 to DM698 and DM12 to DM423 on news that the Spanish Government had accepted their joint bid for Enasa, a Spanish truck maker.

MILAN saw active buying of the Ferruzzi group on the L3,600bn sale of its La Fondiaria insurance group to Mr Camillo De Benedetti; and heavy selling pressure on group companies of Mr Carlo De Benedetti, his cousin, in response to his apparent loss of control of the Mondadori publishing group. The Comit index closed 2.94 higher at 670.21, due mostly to a L62 rise in Montedison to L2,028.

Ferruzzi Finanziaria was suspended following the weekend announcement, but Ferruzzi Agricola rose L65 to L2,560. Fondiaria and Gaic, the holding company controlled by Mr Camillo de Benedetti, were also suspended.

Mr Carlo De Benedetti's holding company, Cir, was sold down to L4,930 from L5,085 and slipped to L4,870 after hours.

PARIS enjoyed a strong day for blue chips and other recent laggards and the OMF 50 index gained 6.28 to 532.53 in reasonable turnover estimated at FFr3bn or above.

Investors have ditched their immediate fears of higher interest rates and appear to be taking their cue from gains in Frankfurt and on Wall Street.

Construction stocks performed strongly. There were gains both in blue chips such as Lafarge Coppée, FFr45 ahead at FFr1,481, and in smaller builders like Poliet, which jumped FFr35 to FFr661.

AMSTERDAM rose solidly in moderate volume worth Fl 845m, helped by Wall Street's gains on Friday and a slightly stronger Dutch bond market. The CBS tendency index was up 2.1 at 187.6.

NatNed, the insurer, was unusually the day's most active share, rising 90 cents to Fl 72.80. It was the subject of a favourable article in an investment magazine and has a presentation in London today.

Hoogovens, the steel company, recovered further ground from its recent lows, adding Fl 3.30 to Fl 86.70. Its high for this year was Fl 122.

ZURICH nudged higher in light trading, with the Crédit Suisse index up 3.3 at 630.5. Brown Boveri rose SFr35 to SFr5,210 as its 50 per cent owned international arm, ABB Asea Brown Boveri, announced a joint venture with Rolls Royce to supply power plants.

COPENHAGEN was buoyant on the news of the country's second banking merger within a month. Market optimism was further boosted by Friday's budget agreement by the minority Government. The bourse index rose 6.3 to 358.94.

The announcement of the long-awaited merger of Privatbanken, SDS and Andelbanken depressed their share prices, however, Privatbanken losing DKr7 to DKr319, SDS falling DKr2 to DKr318 and Andelbanken DKr5 to DKr373. Other banking shares gained, as did industrials.

HELSINKI rose on active trading, the Unitas all-share index gaining 10.2 to 626.6. Nokia was one of the most heavily traded stocks, its free shares rising FM3 to FM88; it announced a major restructuring and a fall in consumer sales.

OSLO finished strongly on the back of higher oil prices, although trading remained thin. The all-share index closed 5.66 up at 628.93.

STOCKHOLM closed generally lower in moderate volume. Saab continued to be in demand as its talks with Fiat proceeded. While the Affärsvärlden General index lost 6.9 to 1,154, Saab free B shares rose SKr6 to Skr243.

Powerhouse bourses rise together

By William Cochrane

THE WORLD got what it needed for a strong performance in equities last week as the big, powerhouse markets climbed on political, economic and technical grounds.

Europe, Japan and the US rose by 2.7, 2.4 and 1.8 per cent respectively, taking the FT-Actuaries World Index up 2.15 per cent – its best since a rise of exactly that extent in the week to January 27 of this year.

In the European engine room, France nearly trebled the previous week's gains with a rise of 3.2 per cent. Its Finance Minister, Mr Pierre Bérégovoy, dispelled fears of higher interest rates last Thursday and, in London, stockbrokers UBS Phillips & Drew noted that inflation had been slowed: "Within the overall business sector," they said, "unit labour costs in 1988-89 have risen only about half as fast in France as the European average."

West Germany absorbed the shock of the terrorist murder of Deutsche Bank chief executive, Mr Alfred Herrhausen, which actually seemed to create a note of defiant bullishness in the stock market. Already buoyant on the transformation of Eastern Europe, Germany was fired on Friday by strong rumours that a Mannesmann-led international consortium would win a cellular telephone network licence from the Deutsche Bundespost; that day gave it the best part of the week's rise, in high turnover.

UK equities, meanwhile, were trying to second guess the currency market, which had kept sterling weak against the D-Mark. Good support came from the research arm of one of the big Japanese investment houses, Nomura, which said that investors should buy UK equities, buy sterling and be ready to buy into the British gilt-edged market.

Until last Friday, which seems to have been a pause for breath, the Tokyo stock market had seen seven consecutive daily rises. People are saying that Japanese institutional investors have huge piles of cash and are willing to commit it with interest rate, currency and political issues in apparent equilibrium.

Wall Street continued its rally despite disappointing news on interest rates from the Federal Reserve Board last Monday, when it sent the market a strong signal that it was not easing credit, as speculators had hoped. Investors were said to be optimistic about last weekend's storm-tossed, but momentous US/Soviet summit.

In smaller markets the main feature was in the Nordic area, where Sweden posted the best rise of the week. Mr David Longmuir of Kleinwort Benson notes that, before last week, Stockholm had been drifting lower on worries about interest rates and 1990 inflation prospects. Renewed domestic institutional interest, he says, was what turned it round.

Something similar applied in Norway. The specific fear for early 1990 there is unfavourable wage settlements, but domestic investors came wheeling back into shipping, offshore and oils stocks. Mr Longmuir is not so sanguine about Finland; he sees last week's rise as, at best, a marginal recovery in a bombed-out market, which is worried that the economy is out of control.

In a string of improvements around the Pacific Rim, the odd market out was Hong Kong with a decline of 2.1 per cent. Brokers Hoare Govett said at the end of last week that market activity had been "appallingly low," and that a slightly disappointing land auction in mid-week added selling pressure.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change in sterling †
	1 Week	4 Weeks	1 Year	Start of 1989	Start of 1989
Austria	+1.05	+2.21	+56.59	+55.74	+79.21
Belgium	-0.18	+3.26	+14.31	+10.03	+26.60
Denmark	-0.73	+6.05	+48.83	+37.32	+57.43
Finland	+2.55	-3.01	-9.51	-6.16	+8.69
France	+3.18	+7.22	+32.92	+24.75	+43.46
West Germany	+3.42	+10.05	+27.42	+22.19	+40.52
Ireland	+2.25	+3.80	+32.57	+28.73	+46.29
Italy	-0.95	+1.12	+9.47	+9.00	+25.25
Netherlands	+2.33	+5.22	+26.74	+19.72	+37.82
Norway	+3.23	+2.89	+47.28	+34.39	+49.67
Spain	+0.31	-0.66	+7.57	+8.25	+23.21
Sweden	+4.51	-2.44	+30.83	+22.70	+36.14
Switzerland	+2.13	+7.35	+28.10	+25.37	+36.63
UK	+3.74	+5.75	+27.42	+25.73	+25.73
EUROPE	+2.73	+5.72	+25.71	+22.36	+32.09
Australia	+0.92	-2.48	+13.48	+10.53	+16.76
Hong Kong	-2.14	+0.11	+5.00	+4.18	+20.24
Japan	+2.37	+5.15	+20.84	+16.72	+17.85
Malaysia	+2.61	+8.81	+50.06	+44.57	+67.27
New Zealand	+0.71	-0.63	+21.72	+19.67	+29.48
Singapore	+0.82	+6.30	+39.00	+32.20	+52.32
Canada	+0.60	+1.04	+20.93	+16.84	+38.10
USA	+1.81	+5.14	+28.34	+25.61	+45.10
Mexico	-0.66	-2.05	+85.23	+104.33	+103.38
South Africa	-0.19	+6.90	+52.52	+52.41	+72.68
WORLD INDEX	+2.15	+5.02	+24.01	+20.50	+29.58

† Based on December 1st, 1989. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited.

"Wild card" investment themes for 1990

By Alison Maitland

THE changes sweeping Eastern Europe and the increase in spending on the environment will be key investment themes in continental Europe in 1990, according to UBS Phillips & Drew.

But they are "wild cards" whose full impact is as yet uncertain, Mr Guy Rigden, head of European strategy, told an investment seminar in London yesterday.

By contrast, one quantifiable trend was for European governments to spend more on telecommunications, power generation and transport to complement the growth of their economies. "The big winners will be the electrical and heavy engineering sectors," said Mr Rigden.

Europe is growing faster relative to the rest of the world than it has before, and Phillips & Drew forecasts that gross national product will increase by about 3 per cent a year in the early 1990s, compared with less than 2 per cent for the US and UK and about 4 per cent for Japan.

The securities house also argues that continental European markets are cheaper and is recommending an overweight position there for global investors; within the Continent, it favours West Germany, France and Spain and would avoid Italy and Sweden.

Mr Rigden acknowledged that liking the Spanish market was unfashionable, given fears of overheating. But he said the Gonzalez Government would attempt to rein in consumer spending without destroying economic and corporate profits growth. P&D forecasts that earnings will grow by 18 per cent in Spain next year, and by 12 per cent in both West Germany and France.

On the monetary side, Dr Richard Reid, chief European economist, said political resistance from most governments made it unlikely that there would be a realignment of European exchange rates before 1991, when European economic growth would have slowed. "The Bundesbank, frustrated in its desire for a realignment, is thus almost certainly going to tighten monetary policy again in the near future," he concluded.

SOUTH AFRICA

IN SPITE of a downward drifting bullion price, gold shares firmed on bullish sentiment. The JSE all-gold index finished at a preliminary 2,132, up 12 points.

ASIA PACIFIC

Nikkei hits new high in heavy trade

Tokyo

WALL STREET'S rise on Friday, and the brighter world prospects suggested by the US-Soviet summit, prepared the ground for a jubilant rally in Japan that took the Nikkei average to a new high in heavy volume, *writes Michiyo Nakamoto in Tokyo.*

Share prices climbed from the start to reach a record by the morning close. The Nikkei reached an intraday high of 37,312.59 before closing up 171.19 at 37,303.87. The day's low was 37,124.45.

Advances at 618 were more than double declines at 308 and 195 issues were unchanged.

Turnover was relatively buoyant at 1.16bn shares, slightly lower than Friday's 1.18bn. The Topix index of all listed shares gained 18.10 to 2,837.73; in London the ISE/Nikkei 50 index rose 1.99 to close at 2,163.63.

A pause in the rise in short-term interest rates, which have been at historically high levels, also encouraged equities.

The strength shown by Wall Street was welcomed as a sign that US interest rates were easing and optimists on the Japanese market felt that the traditional year-end rally had arrived.

Interest spread to a wide variety of issues, although those with heavy capitalisations were favoured.

The prospects for companies doing business with Eastern Europe helped Sumitomo Metal Industries to rise Y17 to Y895 in the day's most active trading of 66.7m shares; there are hopes for an increase in Soviet orders for its petroleum-transporting pipes.

Other steels, such as Nippon Steel and NKK, were also active, the former rising Y7 to Y832 and the latter Y10 to Y842.

Trading houses were popular again, with Marubeni third in volume as 34.3m shares traded; it added Y20 to Y1,050. Nissho Iwai rose Y40 to Y1,060 in active trading.

Mitsui Real Estate saw a surge of interest, rising Y150 to Y3,380 in the second most active trading of 35.6m shares.

The planned listing of a Mitsui subsidiary has been supporting the issue, but yesterday's buying appeared to stem from dealer interest related to a huge increase in trading in Mitsui's convertible bonds.

Osaka added to its record of new highs with a 222.01 point gain in the OSE average to 38,512.54. Volume was somewhat lower at 107m shares compared with 129m on Friday.

Short-term considerations focused activity on issues with special incentives. Nintendo was pursued for its quick price movements and rose Y300 to Y16,400.

Roundup

HIGHER prices, and lower volume were the general order of the day in the Pacific Basin, where markets tried to build upon Wall Street's optimistic finish last Friday. Taiwan, however, continued its recent sporadic form, falling heavily.

AUSTRALIA was pushed higher by blue chip buying and the market shrugged off a slump and then recovery in Bond Corp.

The All Ordinaries index rose 21.7 to 1,646.4 in modest turnover of 94m shares worth A$191m, amid optimism that interest rates would come down soon.

Bond Corp dropped to an all-time low of 13 cents on reports that the company might collapse, and then it rebounded to close unchanged at 20 cents.

Bond Media eased 1 cent to 16 cents after Friday's bid from Mr Kerry Packer, which values the company at 10 cents a share

HONG KONG tried to follow Wall Street, and nearly failed as a 30-point opening surge was chopped back by profit taking. The Hang Seng index gained 10.56 points to 2,787.46, but turnover was the thinnest in a month at HK$567m, down from HK$624m last Friday.

TAIWAN initially plunged following opposition gains in last Saturday's elections, but then recovered a little to end with the weighted index down 265.43, or 3 per cent, at 8,665.85.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY DECEMBER 1 1989						THURSDAY NOVEMBER 30 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	148.05	+1.0	138.27	124.44	+1.3	5.46	144.56	136.60	122.88	160.41	128.28	143.61
Austria (19)	148.83	+0.5	140.91	138.03	+0.3	1.76	148.07	139.91	137.68	172.22	92.84	97.93
Belgium (63)	148.05	+0.6	140.17	136.92	+0.5	4.05	147.15	139.04	136.26	148.05	125.58	133.43
Canada (122)	150.08	+0.2	142.09	126.77	+0.4	3.21	149.81	141.56	126.22	154.17	124.67	121.92
Denmark (36)	232.21	+1.0	219.84	218.31	+0.8	1.45	229.84	217.18	216.47	232.21	165.35	155.92
Finland (26)	123.14	+1.1	116.58	108.43	+1.1	2.60	121.79	115.09	107.30	159.16	118.63	139.83
France (126)	142.88	+1.2	135.25	136.36	+1.5	2.73	141.17	133.39	134.41	142.88	112.57	110.67
West Germany (96)	106.99	+2.4	101.29	99.12	+2.8	2.11	104.46	98.71	96.64	106.99	79.56	86.54
Hong Kong (48)	116.38	+0.4	110.18	116.76	+0.4	4.88	115.94	109.56	116.34	140.33	86.41	111.01
Ireland (17)	166.88	+1.0	157.99	158.88	+0.6	2.79	165.29	156.19	157.85	166.88	125.00	131.66
Italy (97)	92.31	+0.2	87.39	90.50	+0.3	2.52	92.13	87.06	90.24	98.73	74.97	86.55
Japan (455)	195.38	-0.5	184.97	176.61	-0.4	0.46	196.33	185.51	177.34	200.11	164.22	190.45
Malaysia (36)	207.79	+0.3	196.73	216.44	+0.4	2.45	207.09	195.69	215.51	209.22	143.35	140.08
Mexico (13)	284.91	-0.2	269.73	827.03	-0.2	0.63	285.39	269.67	828.44	326.61	153.32	178.76
Netherland (43)	134.10	+0.9	126.96	123.00	+0.9	4.33	132.95	125.62	121.84	134.10	110.63	108.99
New Zealand (18)	75.76	+0.4	71.73	68.19	+0.4	5.24	75.45	71.29	67.93	88.18	62.64	68.67
Norway (24)	180.00	+0.6	170.41	166.38	+0.5	1.64	178.96	169.10	165.47	198.39	139.92	128.59
Singapore (26)	164.96	-0.3	156.17	148.16	+0.0	2.02	165.41	156.30	148.22	170.62	124.57	118.83
South Africa (60)	174.67	+3.2	165.36	149.73	+2.6	3.80	169.26	159.94	145.95	174.67	115.35	125.75
Spain (43)	158.26	-0.3	149.84	137.88	-0.1	3.80	158.76	150.01	138.01	169.75	143.14	149.80
Sweden (35)	170.41	-0.5	161.34	160.89	-0.6	2.13	171.24	161.81	161.93	188.94	138.45	138.17
Switzerland (64)	92.35	+0.5	87.43	91.18	+0.6	2.07	91.92	86.86	90.64	94.16	67.81	79.18
United Kingdom (304)	147.27	+1.2	139.43	139.43	+1.4	4.42	145.56	137.54	137.54	158.41	133.28	137.03
USA (545)	142.17	+1.3	134.59	142.17	+1.3	3.27	140.34	132.61	140.34	146.29	112.13	110.78
Europe (993)	131.14	+1.1	124.16	123.01	+1.3	3.42	129.69	122.54	121.47	132.95	112.63	114.39
Nordic (121)	172.11	+0.3	162.94	155.42	+0.2	1.83	171.55	162.11	155.15	178.38	137.95	134.37
Pacific Basin (668)	190.44	-0.4	180.29	172.19	-0.3	0.70	191.24	180.70	172.79	194.72	160.44	185.28
Euro – Pacific (1661)	166.81	+0.1	157.92	152.52	+0.2	1.57	166.69	157.51	152.27	166.96	141.56	156.90
North America (667)	142.54	+1.2	134.94	141.19	+1.2	3.27	140.80	133.05	139.45	146.66	112.79	111.36
Europe Ex. UK (689)	120.15	+1.1	113.75	112.97	+1.2	2.74	118.85	112.31	111.62	120.15	96.30	100.11
Pacific Ex. Japan (213)	131.24	+0.7	124.25	117.71	+0.8	4.90	130.35	123.18	116.75	140.05	111.93	123.55
World Ex. US (1856)	166.38	+0.1	157.52	151.85	+0.2	1.64	166.21	157.05	151.55	166.38	141.49	155.38
World Ex. UK (2097)	157.60	+0.4	149.20	149.45	+0.5	1.95	156.95	148.30	148.75	157.60	136.98	138.41
World Ex. So. Af. (2341)	156.54	+0.5	148.21	148.48	+0.5	2.15	155.83	147.24	147.70	156.54	136.67	138.35
World Ex. Japan (1946)	138.25	+1.2	130.89	134.02	+1.3	3.39	136.63	129.10	132.37	140.43	114.51	113.15
The World Index (2401)	156.65	+0.5	148.31	148.48	+0.5	2.16	155.91	147.32	147.66	156.65	136.68	138.27

Latest prices were unavailable for this edition.
CONSTITUENT CHANGE 4/12/89: Deletion: Noxell Corporation (USA).

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